

**CITY OF MANDEVILLE,
LOUISIANA**

Annual Financial Statements

For the Year Ended
August 31, 2009

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 3/17/10

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Independent Auditor's Report

The Honorable Edward P. Lyons, Interim Mayor
and Members of the City Council
City of Mandeville, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Mandeville, Louisiana (the City), as of and for the year ended August 31, 2009, which collectively comprise the City of Mandeville, Louisiana's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Mandeville, Louisiana's management. Our responsibility is to express an opinion on these financial statements based on our audit.

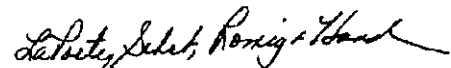
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Mandeville, Louisiana as of August 31, 2009, and the respective changes in financial positions and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2010, on our consideration of the City of Mandeville, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the Required Supplemental Information, as listed in the table of contents, are not required parts of the basic financial statements of the City of Mandeville, Louisiana, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mandeville, Louisiana's basic financial statements. The combining and individual non-major fund financial statements and budgetary comparison schedules for the Enterprise Fund are presented for the purposes of additional analysis and are not required parts of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Mandeville, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all materials respects, in relation to the basic financial statements taken as a whole.



A Professional Accounting Corporation

February 1, 2010

REQUIRED SUPPLEMENTAL INFORMATION (PART I)
MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF MANDEVILLE, LOUISIANA
Year Ended August 31, 2009

Management's Discussion and Analysis

As management of the City of Mandeville, Louisiana (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City, for the fiscal year ended August 31, 2009. This management discussion and analysis (MD&A) is designed to provide an objective and easy to read analysis of the City's financial activities based on currently known facts, decisions, or conditions. It is intended to provide readers with a broad overview of City finances and an analysis of the City's short-term and long-term activities based on information presented in the financial report and fiscal policies that have been adopted by the City. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position (its ability to address the next and subsequent years' challenges), identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

As with other sections of this financial reporting, the information contained with the MD&A should be considered only a part of a greater whole. We encourage readers to consider the information presented here in conjunction with additional information presented in the Required Supplemental Information (RSI) that is provided in addition to this MD&A.

Financial Highlights

- The assets of the City exceeded liabilities at the close of the most recent fiscal year by \$81,147,049. This is comprised of \$45,360,414 in governmental activities and \$35,786,635 in business-type activities.
- The City's total net assets increased by \$6,042,300. This is comprised of a \$3,591,898 increase from governmental activities and a \$2,450,402 increase from business-type activities.
- The unrestricted portion of total net assets totaled \$27,993,374. This is comprised of \$22,359,067 in governmental funds and \$5,634,307 in business-type activities. Unrestricted net assets are available for spending at the City's discretion.
- Approximately 62.3% of the City's total net assets are comprised of its investment in capital assets (e.g., land, buildings, equipment, infrastructure, etc.) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.
- Less than 3.2% (\$2,569,203) of the City's net assets are reserved for debt service.
- The balance of net assets (approximately 34.5%) is unrestricted.
- The City's outstanding debt decreased by \$1,155,000 due to normal debt service requirements.

Management's Discussion and Analysis

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 27 and 28) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 30. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's financial statements. The City's financial statements consist of the following components:

- Government-Wide Financial Statements,
- Fund Financial Statements,
- Notes to the Financial Statements, and
- Other Supplemental Information, which is in addition to the financial statements themselves.

Government-Wide Financial Statements

Government-wide financial statements required by GASB Statement 34 provide readers with a concise "entity-wide" Statement of Net Assets and Statement of Activities, seeking to give the user of the financial statements a broad overview of the City's financial position and results of operations in a manner similar to a private-sector business.

- The Statement of Net Assets presents information on all of the City's assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. The difference between the assets and liabilities is reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or weakening.
- The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation time).

CITY OF MANDEVILLE, LOUISIANA
Year Ended August 31, 2009

Management's Discussion and Analysis

The government-wide financial statements further assist the reader in their evaluation by distinguishing functions of the City into:

Governmental Activities that are principally supported by taxes and intergovernmental revenues, and

Business-Type Activities from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (Water and Sewer).

Net Assets Analysis

As noted earlier, net assets may, over time, serve as a useful indicator of a government's financial position. Net assets are divided into three categories, invested in capital assets (which makes up the largest portion of total net assets), restricted for debt service, and unrestricted. The City's assets exceeded its liabilities at the close of the most recent fiscal year by \$81,147,049 (total net assets), of which \$27,993,374 is unrestricted net assets.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

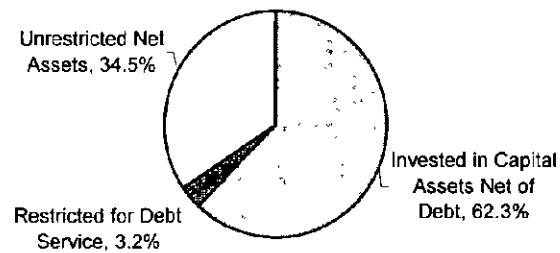
CITY OF MANDEVILLE, LOUISIANA
Year Ended August 31, 2009

Management's Discussion and Analysis

Government-Wide Financial Analysis (Continued)

Net Assets Analysis

	Governmental Activities	Business- Type Activities	Total
Invested in Capital Assets, Net of Debt	\$ 20,432,144	\$ 30,152,328	\$ 50,584,472
Restricted for Debt Service	2,569,203	-	2,569,203
Unrestricted Net Assets	22,359,067	5,634,307	27,993,374
	<u>\$ 45,360,414</u>	<u>\$ 35,786,635</u>	<u>\$ 81,147,049</u>



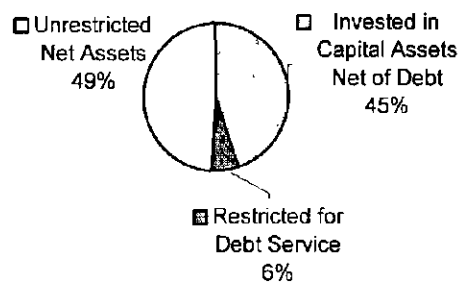
CITY OF MANDEVILLE, LOUISIANA
Year Ended August 31, 2009

Management's Discussion and Analysis

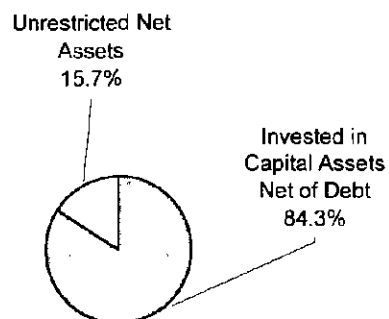
Government-Wide Financial Statements (Continued)

Net Assets Analysis (Continued)

Governmental Activities Net Assets
August 31, 2009



Business-Type Activities Net Assets
August 31, 2009



CITY OF MANDEVILLE, LOUISIANA
Year Ended August 31, 2009

Management's Discussion and Analysis

Government-Wide Financial Statements (Continued)

Financial Ratios

"Working Capital" is the amount by which current assets (including investments) exceed current liabilities. The "Current Ratio", which compares current assets to current liabilities, is an indicator of the ability to pay current obligations.

Working Capital	2009	2008	2007
Entity Wide Summary	\$ 30,681,270	\$ 26,022,297	\$ 23,702,266
Governmental	\$ 23,330,492	\$ 21,501,666	\$ 16,175,655
Business-Type	\$ 7,350,778	\$ 4,520,631	\$ 7,526,611
Current Ratio	2009	2008	2007
Entity Wide Summary	24	16	15
Governmental	24	13	11
Business-Type	29	123	349

"Liabilities to Net Assets" indicates the extent of borrowing.

Liabilities to Net Assets	2009	2008	2007
Entity Wide Summary	8%	9%	13%
Governmental	13%	16%	25%
Business-Type	2%	1%	1%

"Total Return on Assets" illustrates to what extent there will be sufficient funds from operations to replace assets in the future. It includes all revenues.

Total Return on Assets	2009	2008	2007
Entity Wide Summary	7.1%	10.6%	11.7%
Governmental	7.3%	18.0%	13.7%
Business-Type	6.9%	1.3%	9.7%

"Capital Asset Change" illustrates to what extent the City financially maintains infrastructure. Percentage reflect net increases in Net Capital Assets from the prior year balance.

Capital Asset Change	2009	2008	2007
Entity Wide Summary	2%	9%	4%
Governmental	1%	18%	1%
Business-Type	4%	1%	7%

CITY OF MANDEVILLE, LOUISIANA
Year Ended August 31, 2009

Management's Discussion and Analysis

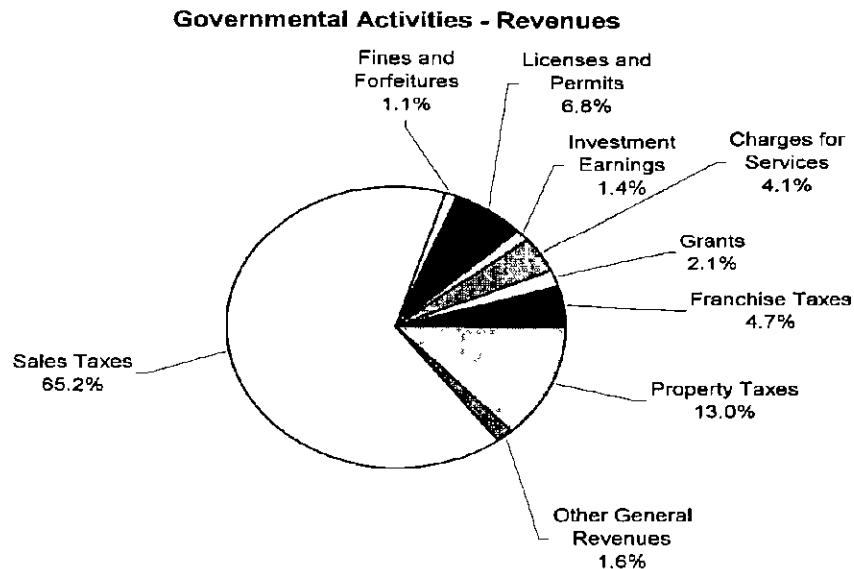
Government-Wide Financial Statements (Continued)

Governmental activities for the City include General Government, Public Safety, Public Works, Cemetery, and Interest on Long-Term Debt. Sales taxes, property taxes, franchise taxes, licenses and permits, fees and fines fund most of these governmental activities.

Presented are the City's revenues and expenses related to those functions typically associated with governments.

Governmental Activities - Revenues

Property Taxes	\$ 2,586,915
Other General Revenues	329,370
Sales Taxes	12,956,980
Fines and Forfeitures	210,757
Licenses and Permits	1,345,019
Investment Earnings	286,958
Charges for Services	815,323
Grants	411,980
Franchise Taxes	938,879
Total Governmental Activities	<u>\$19,882,181</u>



CITY OF MANDEVILLE, LOUISIANA
Year Ended August 31, 2009

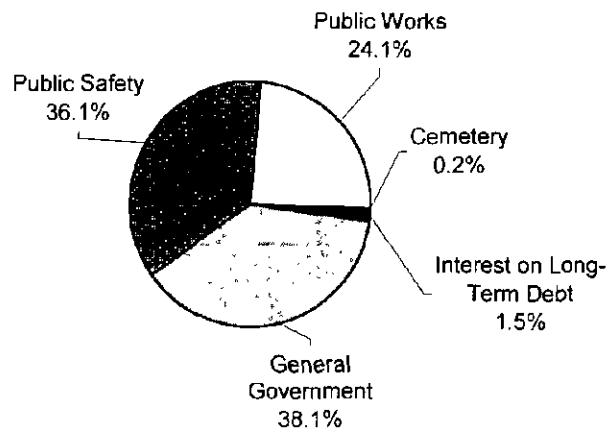
Management's Discussion and Analysis

Government-Wide Financial Statements (Continued)

Governmental Activities - Expenses

General Government	\$ 5,285,610
Public Safety	5,005,831
Public Works	3,356,777
Cemetery	22,163
Interest on Long-Term Debt	209,902
	<hr/>
Total Governmental Activities	<u><u>\$13,880,283</u></u>

Governmental Program Expenses



CITY OF MANDEVILLE, LOUISIANA
Year Ended August 31, 2009

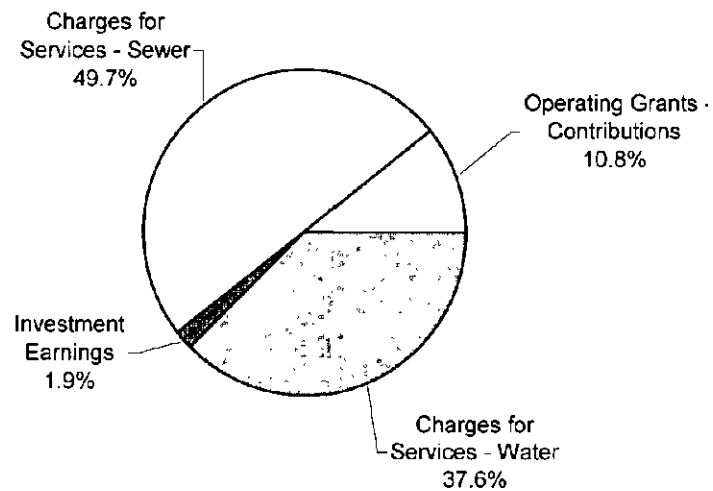
Management's Discussion and Analysis

Government-Wide Financial Statements (Continued)

Business-Type Activities - Revenues

Charges for Services - Water	\$ 1,447,907
Investment Earnings	72,957
Charges for Services - Sewer	1,917,528
Operating Grants - Contributions	<u>415,867</u>
 Total Business-Type Activities	 <u><u>\$ 3,854,259</u></u>

Business-Type Activities - Revenues



CITY OF MANDEVILLE, LOUISIANA
Year Ended August 31, 2009

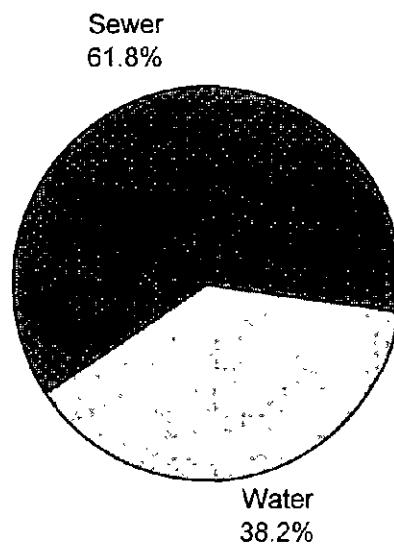
Management's Discussion and Analysis

Government-Wide Financial Statements (Continued)

Business-Type Activities - Expenses

Water	\$ 1,457,217
Sewer	<u>2,356,640</u>
Total Governmental Activities	<u><u>\$ 3,813,857</u></u>

Business-Type Activities - Expenses



Management's Discussion and Analysis

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The fund financial statements begin on page 30. They provide detailed information about the most significant funds of the City as a whole. Some funds are required to be established by law. The City has also established separate funds to help control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The City's funds are comprised of governmental funds and a proprietary fund (Enterprise Fund).

- **Governmental Funds** - are used to account for most of the City's services reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using modified accrual accounting, which measure cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The governmental funds' Balance Sheet and the governmental funds' Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains seven individual governmental funds, of which five are considered major. Information is presented separately in the governmental funds' Balance Sheet and in the governmental funds' Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Tax Collector Fund, Sales Tax Fund, Special Sales Tax Fund and Street Construction Fund, which are all considered to be major funds as defined by GASB Statement No. 34. Data from the other governmental funds (Bond Reserve Fund and Bond Sinking Fund) are combined into a single, aggregated presentation.

- **Proprietary Fund** - The enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses its Enterprise Fund to account for its Water and Sewer departments. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer departments.

CITY OF MANDEVILLE, LOUISIANA
Year Ended August 31, 2009

Management's Discussion and Analysis

Fund Financial Statement Analysis

Major Governmental Funds

General Fund

	Fiscal Years Ended August 31,	
	2009	2008
Revenue		
Property Taxes	\$ 2,521,152	\$ 2,269,677
Franchise Taxes	938,879	940,908
Tobacco Taxes	-	-
Licenses and Permits	1,345,019	1,413,078
Intergovernmental Grants	402,730	1,080,998
Charges for Services	815,323	766,936
Fines and Forfeitures	210,757	328,499
Interest Income	51,813	80,996
Disaster Income	299,585	-
Miscellaneous	307,755	365,300
Total Revenues	6,893,013	7,246,392
Expenditures		
Current:		
General Government	4,503,571	3,723,853
Public Safety	4,808,955	4,676,446
Public Works	1,602,171	1,554,360
Cemetery	22,167	19,552
Capital Outlay	995,001	3,332,960
Debt Service	-	692,031
Total Expenditures	11,931,865	13,999,202
Deficiency of Revenues Under Expenditures	(5,038,852)	(6,752,810)
Other Financial Sources (Uses)		
Transfers In	5,516,500	6,206,500
Transfers Out	-	-
Net Transfers	5,516,500	6,206,500
Net Change in Fund Balance	477,648	(546,310)
Fund Balance, Beginning of the Year	7,104,170	7,650,480
Fund Balance, End of the Year	\$ 7,581,818	\$ 7,104,170

CITY OF MANDEVILLE, LOUISIANA
Year Ended August 31, 2009

Management's Discussion and Analysis

Fund Financial Statement Analysis (Continued)

Major Governmental Funds (Continued)

Discussion:

- Property Tax revenue increased approximately 11% due to the normal growth of the City and the addition of a large retail and multi-family development.
- Licenses and Permits revenue decreased approximately 5% due to the overall slump in the housing market.
- The decrease in Intergovernmental Grants revenue is due to funds received last year for the Galvez St. drainage improvements (approximately \$455,000) and the Trailhead addition (approximately \$283,000).
- Charges for Services revenue increased by 6% due to the rate increase last year for solid waste and recycling services.
- The increase in Disaster Income is due to reimbursements from the federal government for expenses incurred last year with Hurricane Gustav.
- Miscellaneous revenue decreased approximately 16% due to the sale of a surplus piece of property last year.
- General Government expenditures increased primarily due to expenses incurred last year with Hurricane Gustav (approximately \$589,000).
- Public Safety expenditures increased approximately 3% due to annual increases of salaries and benefits.
- Public Works expenditures increased approximately 3% due to the City utilizing two Department of Corrections work crews this year.

CITY OF MANDEVILLE, LOUISIANA
Year Ended August 31, 2009

Management's Discussion and Analysis

Fund Financial Statement Analysis (Continued)

Major Governmental Funds (Continued)

	Fiscal Years Ended August 31,	
	2009	2008
Revenue		
Property Taxes	\$ 65,763	\$ 89,946
Interest Income	22,138	66,980
Other Revenue	668	-
Total Revenues	88,569	156,926
Expenditures		
Current:		
General Government	21,634	21,123
Debt Service	119,040	116,186
Total Expenditures	140,674	137,309
(Deficiency) Excess of Revenues (Under) Over Expenditures	(52,105)	19,617
Other Financing Sources (Uses)	-	-
Net Change in Fund Balance	(52,105)	19,617
Fund Balance, Beginning of the Year	749,451	729,834
Fund Balance, End of the Year	\$ 697,346	\$ 749,451

CITY OF MANDEVILLE, LOUISIANA
Year Ended August 31, 2009

Management's Discussion and Analysis

Fund Financial Statement Analysis (Continued)

Major Governmental Funds (Continued)

Sales Tax Fund

	Fiscal Years Ended August 31,	
	2009	2008
Revenue		
Sales Taxes	\$ 12,956,980	\$ 13,861,993
Interest Income	8,837	17,212
Total Revenues	12,965,817	13,879,205
Expenditures		
Current:		
General Government	149,114	159,009
Total Expenditures	149,114	159,009
Excess of Revenues Over Expenditures	12,816,703	13,720,196
Other Financial Sources (Uses)		
Transfers Out	(12,888,825)	(13,802,032)
Net Transfers	(12,888,825)	(13,802,032)
Net Change in Fund Balance	(72,122)	(81,836)
Fund Balance, Beginning of the Year	285,462	367,298
Fund Balance, End of the Year	\$ 213,340	\$ 285,462

CITY OF MANDEVILLE, LOUISIANA
Year Ended August 31, 2009

Management's Discussion and Analysis

Fund Financial Statement Analysis (Continued)

Major Governmental Funds (Continued)

Special Sales Tax Fund

	Fiscal Years Ended August 31,	
	2009	2008
Revenue		
Interest Income	\$ 98,037	\$ 219,706
Total Revenues	98,037	219,706
Expenditures		
Current:		
General Government	725	700
Total Expenditures	725	700
Excess of Revenues Over Expenditures	97,312	219,006
Other Financial Sources (Uses)		
Transfers In	5,075,785	5,455,872
Transfers Out	(5,073,903)	(4,721,343)
Net Transfers	1,882	734,529
Net Change in Fund Balance	99,194	953,535
Fund Balance, Beginning of the Year	6,053,208	5,099,673
Fund Balance, End of the Year	\$ 6,152,402	\$ 6,053,208

CITY OF MANDEVILLE, LOUISIANA
Year Ended August 31, 2009

Management's Discussion and Analysis

Fund Financial Statement Analysis (Continued)

Major Governmental Funds (Continued)

Street Construction Fund

	Fiscal Years Ended August 31,	
	2009	2008
Revenue		
Interest Income	\$ 69,236	\$ 129,356
Total Revenues	69,236	129,356
Expenditures		
Current:		
General Government	7,723	12,149
Public Works	27,771	223,553
Capital Outlay	1,786,404	2,890,223
Total Expenditures	1,821,898	3,125,925
Deficiency of Revenues Under Expenditures	(1,752,662)	(2,996,569)
Other Financial Sources (Uses)		
Transfers In	3,727,382	4,899,339
Net Transfers	3,727,382	4,899,339
Net Change in Fund Balance	1,974,720	1,902,770
Fund Balance, Beginning of the Year	6,716,741	4,813,971
Fund Balance, End of the Year	\$ 8,691,461	\$ 6,716,741

CITY OF MANDEVILLE, LOUISIANA
Year Ended August 31, 2009

Management's Discussion and Analysis

Fund Financial Statement Analysis (Continued)

Proprietary (Enterprise) Fund

Proprietary Fund

	Fiscal Years Ended August 31,	
	2009	2008
Operating Revenues		
Charges for Services		
Water Fees	\$ 1,085,851	\$ 1,094,056
Sewerage Fees	1,644,716	1,522,563
Tapping Fees		
Water Department	11,850	25,055
Sewer Department	4,300	14,200
Service Charge	23,411	22,230
Delinquent Charges	72,180	71,931
Sewer Inspection Fees	-	1,150
Miscellaneous	16,151	1,316
DHH Fees	-	12,906
Sewer Impact Fees	228,950	95,904
Water Inspection Fees	-	1,550
Water Impact Fees	278,026	111,457
Total Operating Revenues	3,365,435	2,974,318
Operating Expenses		
Water Department Expenses	1,457,217	1,411,546
Sewer Department Expenses	2,356,640	1,999,267
Total Expenditures	3,813,857	3,410,813
Operating Loss	(448,422)	(436,495)
Non-Operating Revenues (Expenses)		
Grant Income	447,031	50,995
Write-off of FEMA Receivable	(28,164)	-
Disaster Income	-	3,666
Interest Income	72,957	122,642
Loss on Disposal of Assets	(3,000)	(19,571)
Total Non-Operating Revenue	488,824	157,732
Income (Loss) Before Contributions and Transfers	40,402	(278,763)
Transfers - Special Revenue Fund	2,410,000	762,376
Net Change in Net Assets	2,450,402	483,613
Total Net Assets, Beginning of Year	33,336,233	32,852,620
Total Net Assets, End of the Year	\$ 35,786,635	\$ 33,336,233

CITY OF MANDEVILLE, LOUISIANA
Year Ended August 31, 2009

Management's Discussion and Analysis

Fund Financial Statement Analysis (Continued)

Proprietary (Enterprise) Fund (Continued)

	Water Department For The Years Ended August 31,		Sewer Department For The Years Ended August 31,	
	2009	2008	2009	2008
Salaries, Overtime and Vacation	\$ 363,299	\$ 343,418	\$ 360,131	\$ 352,011
Payroll Taxes	26,841	25,168	26,603	22,773
Retirement	85,325	78,994	58,235	58,294
Employee Medical Insurance	126,802	91,582	155,531	106,597
Workmen's Compensation	11,353	16,021	9,856	12,005
Licenses and Permits	12,369	12,193	17,712	100
Engineers' Fees	22,733	12,727	119,417	7,720
Computer Programs and Supplies	17,553	13,730	17,737	13,153
Pumps Maintenance	12,248	10,285	46,010	11,773
Purification Chemicals	24,381	73,526	50,576	15,217
Membership, Dues and Subscriptions	1,497	1,340	285	383
Printing	2,699	2,509	2,180	1,826
Utilities	97,011	100,452	359,639	389,210
Telephone	6,116	7,856	4,961	4,744
Insurance - General	21,000	17,568	10,000	6,940
Insurance - Property	18,000	16,000	16,000	14,118
Office Supplies	1,863	1,664	1,342	806
Building Maintenance	10,125	1,962	4,496	1,455
Postage	9,544	8,199	8,985	8,463
Travel, Convention and Conferences	2,961	2,873	2,800	2,846
Civil Service	1,430	2,749	1,104	2,800
Radio Maintenance	-	1,239	-	1,239
Uniforms	3,322	3,151	3,761	3,075
Fuel, Oil and Lube	14,438	32,822	14,438	32,453
Insurance - Vehicle	5,000	4,000	8,500	7,000
Vehicle Repair and Maintenance	3,212	3,925	4,846	8,311
Equipment Maintenance	12,164	8,094	17,857	18,700
Equipment Rental	-	99	930	740
Contract Labor	66,837	80,863	89,720	108,845
Small Tools and Supplies	7,754	(55,382)	9,856	8,055
Sand, Asphalt, and Gravel	378,704	-	2,215	-
Depreciation	54,018	373,577	617,901	575,898
Connection Supplies	5,794	80,004	8,485	3,670
Testing	27,425	330	122,019	129,429
Plant Maintenance and Repair	3,399	34,516	179,595	65,223
Training	-	3,492	2,917	3,395
Total	\$ 1,457,217	\$ 1,411,546	\$ 2,356,640	\$ 1,999,267

CITY OF MANDEVILLE, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 41 of this report.

- **Other Supplemental Information**

In addition to the financial statements and accompanying notes, this report also presents certain required supplemental information.

A. Budgetary Comparison Schedule - The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget, beginning on page 67.

B. Analysis of Significant Budget Variances in the General Fund

1. Revenues: The Intergovernmental grants revenue budget was based on anticipated grants and the large variance is due in part to grants that have been awarded but not yet received.
2. Expenditures: There were no significant expenditures in excess of final budgeted amounts.

Supplemental Information

- A.** Combining statements of the Non-major Governmental Funds (Bond Reserve and Bond Sinking Funds) begin on page 77.
- B.** Other Supplemental Schedules of the Proprietary (Enterprise) Fund begin on page 79.

CITY OF MANDEVILLE, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Asset and Debt Administration

A. Capital Assets

The City's investment in capital assets for its governmental and business type activities as of August 31, 2009, amounts to \$55,444,472 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, park facilities, roads and water and sewer infrastructure.

Major capital asset additions during the current fiscal year included the following:

1. Several police and other vehicles were acquired for the General Government at a cost of \$279,485.
2. Other machinery, equipment, etc. were acquired at a cost of \$397,855 for the General Government.
3. Land was acquired for the General Government at a cost of \$250,685.
4. Road construction and replacement totaled \$1,666,749.
5. Improvements at the Trailhead totaled \$105,756.
6. Improvements to buildings and structures totaled \$80,874.
7. Water line additions and improvements were constructed by the Water Fund at a cost of \$6,266.
8. Various sewer line additions and improvements were constructed by the Sewer Fund at a cost of \$1,920,113.
9. Equipment and vehicles were acquired for the Water and Sewer Funds at a cost of \$49,688.
10. Improvements to buildings in the Water and Sewer Fund totaled \$49,860.

Additional information on the City's capital assets can be found in Note 7 of this report.

B. Long-Term Debt

At August 31, 2009, the City had total bonded debt outstanding of \$4,860,000. This total is comprised of \$580,000 in general obligation bonds, and \$4,280,000 in sales tax bonds payable from a pledge of the City's 1% Sales Tax.

Total retirement of Long-Term Debt amounted to \$1,155,000.

Additional information on the City's long-term debt can be found in Note 12 of this report.

CITY OF MANDEVILLE, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors and Next Year's Budget and Rates

The following factors were considered in preparing the City's budget for the 2010 fiscal year:

Sales tax revenues, the City's largest revenue source, declined substantially in this fiscal year. The City feels that a majority of this decrease is due to the leveling off of revenues from the effects of Hurricane Katrina, but the City feels this leveling off is just about complete. Because of this, the City is taking a conservative approach to projecting sales tax revenues; therefore, for the fiscal year ending August 31, 2010, there was a modest decrease in budgeted sales tax revenue compared to the August 31, 2009, fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Milton Stiebing, Director of Finance
City of Mandeville
3101 E. Causeway Approach
Mandeville, LA 70448

BASIC FINANCIAL STATEMENTS
GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF MANDEVILLE, LOUISIANA
Statement of Net Assets
August 31, 2009

Statement A

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 9,967,791	\$ 3,274,109	\$ 13,241,900
Investments	14,190,403	3,721,320	17,911,723
Receivables			
Property Taxes	5,062	-	5,062
Water and Sewer, Net	-	304,595	304,595
Other	9,285	-	9,285
FEMA Receivable	233,047	233,144	466,191
Internal Balances	1,419,952	(1,419,952)	-
Deposits	2,780	-	2,780
Inventory	99	81,003	81,102
Bond Financing Cost, Net	35,575	-	35,575
Capital Assets, Net	25,292,144	30,152,328	55,444,472
Total Assets	51,156,138	36,346,547	87,502,685
Liabilities			
Accounts Payable and Accrued Liabilities	522,919	263,393	786,312
Deposits	97,276	296,519	393,795
General Obligations Bonds Payable			
Current	455,000	-	455,000
Long-Term	4,405,000	-	4,405,000
Net Other Post-Employment Benefit Obligation	315,529	-	315,529
Total Liabilities	5,795,724	559,912	6,355,636
Net Assets			
Invested in Capital Assets, Net of Related Debt	20,432,144	30,152,328	50,584,472
Restricted for:			
Debt Service	2,569,203	-	2,569,203
Unrestricted	22,359,067	5,634,307	27,993,374
Total Net Assets	\$ 45,360,414	\$ 35,786,635	\$ 81,147,049

The accompanying notes are an integral part of these financial statements.

CITY OF MANDEVILLE, LOUISIANA
Statement of Activities
For the Year Ended August 31, 2009

Statement B

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$ 5,285,610	\$ 799,623	\$ 9,250	\$ -	\$ (4,476,737)	\$ -	\$ (4,476,737)
Public Safety	5,005,831	-	-	-	(5,005,831)	-	(5,005,831)
Public Works	3,356,777	-	1,730	401,000	(2,954,047)	-	(2,954,047)
Cemetery	22,163	15,700	-	-	(6,463)	-	(6,463)
Interest on Debt	209,902	-	-	-	(209,902)	-	(209,902)
Total Governmental Activities	13,880,283	815,323	10,980	401,000	(12,652,980)	-	(12,652,980)
Business-Type Activities							
Water	1,457,217	1,447,907	-	-	-	(9,310)	(9,310)
Sewer	2,356,640	1,917,528	-	415,867	-	(23,246)	(23,246)
Total Business-Type Activities	3,813,857	3,365,435	-	415,867	-	(32,555)	(32,555)
Total	\$ 17,694,140	\$ 4,180,758	\$ 10,980	\$ 816,867	(12,652,980)	(32,555)	(12,685,535)
General Revenues							
Property Taxes					2,586,915	-	2,586,915
Franchise Taxes					938,879	-	938,879
Sales Taxes					12,956,980	-	12,956,980
Licenses and Permits					1,345,019	-	1,345,019
Fines and Forfeitures					210,757	-	210,757
Investment Earnings					286,958	72,957	359,915
Other General Revenues					299,173	-	299,173
Disaster Income					299,585	-	299,585
Loss on Disposal					(269,388)	-	(269,388)
Transfers					(2,410,000)	2,410,000	-
Total General Revenues and Transfers					16,244,878	2,482,957	18,727,835
Change in Net Assets					3,591,898	2,450,402	6,042,300
Net Assets, Beginning of Year					41,768,516	33,336,233	75,104,749
Net Assets, End of Year					\$ 45,360,414	\$ 35,786,635	\$ 81,147,049

The accompanying notes are an integral part of these financial statements.

**BASIC FINANCIAL STATEMENTS
FUND FINANCIAL STATEMENTS
GOVERNMENTAL FUNDS**

CITY OF MANDEVILLE, LOUISIANA
Balance Sheet
Governmental Funds
August 31, 2009

Statement C

	General Fund	Debt Service Fund		Special Revenue Funds				Capital Projects Fund		Total	
		Collector Fund	Tax Fund	Sales Tax Fund	Sales Tax Fund	Special Fund	Construction Fund	Street Fund	Non-Major Governmental Funds	Governmental Funds	Funds
Assets											
Cash and Cash Equivalents	\$ 4,454,043	\$ 176,869	\$ 122,473	\$ 767,705	\$ 3,636,981	\$ 799,720	\$ 9,987,791				
Investments	1,829,237	758,985	90,867	5,384,097	5,054,480	1,072,137	14,190,403				
Receivables, Net											
Property Taxes	-	5,062	-	-	-	-	5,062				
Other Receivables	9,285	-	-	-	-	-	9,285				
FEMA Receivable	233,047	-	-	-	-	-	233,047				
Deposits	2,780	-	-	-	-	-	2,780				
Inventory of Plots and Crypts	99	-	-	-	-	-	99				
Interfund Receivables	1,663,522	-	-	-	-	-	1,663,522				
Total Assets	\$ 8,202,013	\$ 940,916	\$ 213,340	\$ 6,152,402	\$ 8,691,461	\$ 1,871,857	\$ 26,071,989				
Liabilities and Fund Balances											
Liabilities											
Accounts Payable	\$ 80,076	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 80,076				
Accrued Liabilities	442,843	-	-	-	-	-	442,843				
Deposits	97,276	-	-	-	-	-	97,276				
Interfund Payables	-	243,570	-	-	-	-	243,570				
Total Liabilities	620,195	243,570	-	-	-	-	863,765				
Fund Balances											
Reserved for Debt Service	-	697,346	-	-	-	1,871,857	2,569,203				
Reserved for Infrastructure	-	-	-	6,152,402	-	-	6,152,402				
Reserved for Inventory	99	-	-	-	-	-	99				
Unreserved, Reported in:											
General Fund	7,581,719	-	-	-	-	-	7,581,719				
Special Revenue Fund	-	-	213,340	-	-	-	213,340				
Capital Projects Fund	-	-	-	-	8,691,461	-	8,691,461				
Total Fund Balances	7,581,818	697,346	213,340	6,152,402	8,691,461	1,871,857	25,208,224				
Total Liabilities and Fund Balances	\$ 8,202,013	\$ 940,916	\$ 213,340	\$ 6,152,402	\$ 8,691,461	\$ 1,871,857	\$ 26,071,989				

The accompanying notes are an integral part of these financial statements.

CITY OF MANDEVILLE, LOUISIANA
Reconciliation of the Governmental Fund Balances to
the Government-Wide Statement of Net Assets
August 31, 2009

Statement D

**Amounts reported for governmental activities in the Statement
of Net Assets are different because:**

Fund Balances - Total Governmental Funds \$ 25,208,224

Capital assets used in governmental activities are not financial resources
and, therefore, are not reported in the governmental funds.

Governmental Capital Assets 59,254,026
Less: Accumulated Depreciation (33,961,882)

Long-term liabilities, including bonds payable, are not due and payable in the
current period and, therefore, are not reported in the governmental funds.

Bond Issuance Cost 35,575
General Obligation Bonds (4,860,000)
Net Other Post-Employment Benefit Obligation (315,529)

Net Assets of Governmental Activities \$ 45,360,414

The accompanying notes are an integral part of these financial statements.

CITY OF MANDEVILLE, LOUISIANA

Statement E

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended August 31, 2009

	General Fund	Debt Service		Special Revenue Funds			Capital Projects		Total Governmental Funds
		Fund	Tax Collector Fund	Sales Tax Fund	Sales Tax Fund	Special Sales Tax Fund	Construction Fund	Street Fund	
Revenues									
Taxes									
Property Taxes	\$ 2,521,152	\$ 65,763	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,586,915
Franchise Taxes	938,879	-	-	-	-	-	-	-	938,879
Sales Taxes	-	-	-	12,956,980	-	-	-	-	12,956,980
Licenses and Permits	1,345,019	-	-	-	-	-	-	-	1,345,019
Intergovernmental Grants	402,730	-	-	-	-	-	-	-	402,730
Charges for Services	815,323	-	-	-	-	-	-	-	815,323
Fines and Forfeitures	210,757	-	-	-	-	-	-	-	210,757
Interest Income	51,813	22,138	-	8,837	98,037	-	69,236	-	286,958
Disaster Income	299,585	-	-	-	-	-	-	-	299,585
Other Revenues	298,505	668	-	-	-	-	-	-	299,173
Donations	9,250	-	-	-	-	-	-	-	9,250
Total Revenues	6,893,013	88,569	12,965,817	98,037	69,236	36,897	20,151,569		
Expenditures									
Current									
General Government	4,503,571	21,634	-	149,114	725	7,723	-	-	4,882,767
Public Safety	4,808,955	-	-	-	-	-	-	-	4,808,955
Public Works	1,602,171	-	-	-	-	27,771	-	-	1,629,942
Cemetery	22,167	-	-	-	-	-	-	-	22,167
Capital Outlay	995,001	-	-	-	-	1,786,404	-	-	2,781,405
Debt Service	-	100,000	-	-	-	-	-	-	1,055,000
Principal	-	19,040	-	-	-	-	-	-	190,862
Interest and Other Charges	-	-	-	-	-	-	-	-	-
Total Expenditures	11,931,865	140,674	149,114	725	1,821,898	1,245,862	15,290,138		
(Deficiency) Excess of Revenues (Under) Over Expenditures	(5,038,852)	(52,105)	12,816,703	97,312	(1,752,662)	(1,208,965)	4,861,431		

The accompanying notes are an integral part of these financial statements.

CITY OF MANDEVILLE, LOUISIANA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended August 31, 2009

Statement E (Continued)

	Debt Service		Special Revenue Funds		Capital Projects		Total
	General Fund	Collector Fund	Sales Tax Fund	Special Sales Tax Fund	Street Construction Fund	Non-Major Governmental Funds	
Other Financing Sources (Uses)							
Operating Transfers In (Out)							
Transfers In	5,516,500	-	-	5,075,785	3,727,382	1,263,903	15,583,570
Transfers Out	-	-	(12,888,825)	(5,073,903)	-	(30,842)	(17,993,570)
Total Other Financing Sources (Uses)	5,516,500	-	(12,888,825)	1,882	3,727,382	1,233,061	(2,410,000)
Net Change in Fund Balances	477,648	(52,105)	(72,122)	99,194	1,974,720	24,096	2,451,431
Fund Balances, Beginning of Year	7,104,170	749,451	285,462	6,053,208	6,716,741	1,847,761	22,756,793
Fund Balances, End of Year	\$ 7,581,818	\$ 697,346	\$ 213,340	\$ 6,152,402	\$ 8,691,461	\$ 1,871,857	\$ 25,208,224

The accompanying notes are an integral part of these financial statements.

CITY OF MANDEVILLE, LOUISIANA
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Government-Wide Statement of Activities
For the Year Ended August 31, 2009

Statement F

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in Fund Balances - Total Governmental Funds	\$ 2,451,431
--	--------------

Governmental funds report capital outlays as expenditures; however, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives through depreciation expense. This is the amount by which capital asset additions exceeded depreciation in the current period.	573,941
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The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	(269,388)
--	-----------

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,151,443
---	-----------

The change in the net other post-employment benefit obligation reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.	<u>(315,529)</u>
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Change in Net Assets of Governmental Activities	<u><u>\$ 3,591,898</u></u>
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The accompanying notes are an integral part of these financial statements.

**BASIC FINANCIAL STATEMENTS
FUND FINANCIAL STATEMENTS
PROPRIETARY FUND**

CITY OF MANDEVILLE, LOUISIANA
Statement of Net Assets
Proprietary Fund
August 31, 2009

Statement G

Assets	
Current Assets	
Cash and Cash Equivalents	\$ 3,274,109
Investments	3,721,320
Receivables	
Water and Sewer, Net	304,595
FEMA Receivable	<u>233,144</u>
Total Current Assets	<u>7,533,168</u>
Long-Term Assets	
Inventory	81,003
Capital Assets, Net of Accumulated Depreciation	<u>30,152,328</u>
Total Long-Term Assets	<u>30,233,331</u>
Total Assets	<u>37,766,499</u>
Liabilities	
Current Liabilities	
Accounts Payable and Accrued Liabilities	263,393
Interfund Payable	<u>1,419,952</u>
Total Current Liabilities	<u>1,683,345</u>
Long-Term Liabilities	
Customer Deposits	<u>296,519</u>
Total Liabilities	<u>1,979,864</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	30,152,328
Unrestricted Net Assets	<u>5,634,307</u>
Total Net Assets	<u>\$ 35,786,635</u>

The accompanying notes are an integral part of these financial statements.

CITY OF MANDEVILLE, LOUISIANA
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund
For the Year Ended August 31, 2009

Statement H

Operating Revenues	
Charges for Services	
Water Fees	\$ 1,085,851
Sewerage Fees	1,644,716
Tapping Fees	
Water	11,850
Sewer	4,300
Service Charges	23,411
Delinquent Charges	72,180
Miscellaneous	16,151
Sewer Impact Fees	228,950
Water Impact Fees	278,026
	<u>3,365,435</u>
Total Operating Revenues	3,365,435
Operating Expenses	
Water Department Expenses	1,457,217
Sewer Department Expenses	2,356,640
	<u>3,813,857</u>
Total Operating Expenses	3,813,857
Operating Loss	(448,422)
Non-Operating Revenues (Expenses)	
Grant Income	447,031
Write-Off of FEMA Receivable	(28,164)
Interest Income	72,957
Loss on Disposal of Assets	(3,000)
	<u>488,824</u>
Total Non-Operating Revenues	488,824
Change in Net Assets Before Transfers	40,402
Operating Transfers	2,410,000
Change in Net Assets	2,450,402
Net Assets, Beginning of Year	33,336,233
Net Assets, End of Year	\$ 35,786,635

The accompanying notes are an integral part of these financial statements.

CITY OF MANDEVILLE, LOUISIANA
Statement of Cash Flows
Proprietary Fund
For the Year Ended August 31, 2009

Statement I

Cash Flows from Operating Activities	
Receipts from Customers and Users	\$ 3,370,136
Payments to Suppliers	(1,723,984)
Payments to Employees	<u>(866,990)</u>
Net Cash Provided by Operating Activities	<u>779,162</u>
Cash Flows from Non-Capital Financing Activities	
Operating Grants Receipts	35,778
Transfers In	2,410,000
Net Proceeds from Borrowings from Other Funds	<u>1,322,704</u>
Net Cash Provided by Non-Capital Financing Activities	<u>3,768,482</u>
Cash Flows from Capital and Related Financing Activities	
Capital Grants Receipts	447,031
Purchase of Capital Assets	<u>(2,025,927)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(1,578,896)</u>
Cash Flows from Investing Activities	
Interest Received	<u>6,889</u>
Net Cash Provided by Investing Activities	<u>6,889</u>
Net Increase in Cash and Cash Equivalents	2,975,637
Cash and Cash Equivalents, Beginning of Year	<u>298,472</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 3,274,109</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF MANDEVILLE, LOUISIANA
Statement of Cash Flows
Proprietary Fund
For the Year Ended August 31, 2009

Statement I (Continued)

Reconciliation of Operating Loss to Net Cash	
Provided by Operating Activities	
Operating Loss	\$ (448,422)
Adjustments to Reconcile Operating Loss to	
Net Cash Provided by Operating Activities	
Depreciation	996,605
Changes in Assets and Liabilities	
Decrease in Accounts Receivable, Net	2,341
Increase in Accounts Payable and Accrued Liabilities	226,278
Increase in Customer Deposits	<u>2,360</u>
Net Cash Provided by Operating Activities	<u>\$ 779,162</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF MANDEVILLE, LOUISIANA

Notes to Financial Statements

Introduction

The City of Mandeville, Louisiana (the City) adopted the Home Rule Charter on November 16, 1985, under the provisions of Article VI, Section 5, of the Louisiana Constitution of 1974. The City operates under a Mayor - Council form of government and provides the following services as authorized by its charter: public safety, highways and streets, sanitation and utilities, health and social services, culture and recreation, public improvements, planning and zoning, and general administrative services.

The accounting and reporting policies of the City conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the *Louisiana Audit Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units*.

Note 1. Summary of Significant Accounting Policies

Reporting Entity

Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards established criteria for determining the governmental reporting entity and component units that should be included with the reporting entity. For financial reporting purposes, in conformance with GASB Codification Section 2100, the City includes all funds which are controlled by or dependent on the City which was determined on the basis of oversight responsibility, including accountability for fiscal and budget matters, designation and management or governing authority, and authority to issue debt. Based on these criteria, the City has determined that there are no component units that are part of the reporting entity.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The City's net assets are reported in 3 parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CITY OF MANDEVILLE, LOUISIANA

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Government-Wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds and the City's proprietary fund. Most individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

General Fund

The General Fund is the general operating fund of the City. This fund is used to account for all financial transactions and resources except those that are required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service and interest income.

Tax Collector Debt Service Fund (Tax Collector Fund)

The Tax Collector Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. Financing is being provided by property taxes.

CITY OF MANDEVILLE, LOUISIANA

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Sales Tax Special Revenue Fund (Sales Tax Fund)

The Sales Tax Fund is used to account for the receipt of proceeds of the City's 2.5% sales and use tax and the State, Parish and Municipal Motor Vehicle sales tax. 1% of this tax is dedicated to capital expenditures for constructing, improving, extending and maintaining playgrounds and recreational facilities, public roads, streets, bridges and crossings, sewerage, garbage disposal, waterworks, fire protection, beach improvements, seawalls and extensions, harbor improvements and other works of permanent public improvements in the town. The remaining 1.5% sales and use tax and the State, Parish and Municipal Motor Vehicle sales tax is transferred 1% to the Special Sales Tax Fund and .5% to the Street Construction Fund.

Special Sales Tax Special Revenue Fund (Special Sales Tax Fund)

The Special Sales Tax Fund is used to account for 1% of the sales and use tax and the State, Parish and Municipal Motor Vehicle sales tax transferred from the Sales Tax Fund. One percent became effective January 1, 1987, and is to be used for the retirement of the 1999 Public Improvements Bonds for \$6,600,000 and for the retirement of the 2000 Sales Tax Refunding Bonds for \$4,915,000.

All monies remaining in the Special Sales Tax Fund on the 20th day of each month in excess of all reasonable and necessary expenses of collection and administration of the tax and after making the required payments into the Sinking Fund and the Reserve Fund for the current month and for prior months during which the required payments may not have been made, shall be considered surplus. Such surplus may be used by the issuer for any of the purposes for which the imposition of the tax is authorized or for the purpose of retiring bonds in advance of their maturities.

Street Construction Capital Projects Fund (Street Construction Fund)

The Street Construction Fund is used to account for the costs of constructing, acquiring, extending and improving (i) streets and/or (ii) roadside drains and roadside drainage facilities. Financing is provided by a pledge of revenue to be derived from the City's collection of a .5% sales tax transferred from the Sales Tax Fund.

The City has one proprietary fund to account for the water and sewer services it provides to the residents and businesses of the City.

CITY OF MANDEVILLE, LOUISIANA

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's enterprise operations. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Principal operating revenues for the City's proprietary fund consist of charges to customers and users of its water and sewer services. Operating expenses for the City's proprietary fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Budgets and Budgetary Accounting

All proposed budgets must be completed and submitted to the City Council no later than fifteen days prior to the beginning of each fiscal year. The operating budget includes proposed expenditures and the means of financing them. The final budget must be adopted before the ensuing fiscal year begins.

The City adopted a line item budget on a basis consistent with accounting principles generally accepted in the United States of America for the following funds: general fund, special revenue funds, capital projects funds and enterprise fund. A formal budget was not adopted for the debt service funds because effective budgetary control is alternately achieved through general obligation bond provisions.

CITY OF MANDEVILLE, LOUISIANA

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Budgets and Budgetary Accounting (Continued)

According to line item budgeting, actual expenditures for each line item may not exceed its corresponding budgeted amount. The budget may be amended under the same procedures as were followed under its adoption. The budgets presented have been amended.

Every appropriation, except an appropriation for a capital expenditure, shall lapse at the close of the fiscal year to the extent that it has not been expended or encumbered. An appropriation for a capital expenditure shall continue in force until the purpose for which it was made has been accomplished or abandoned; the purpose of any such appropriation shall be deemed abandoned if one (1) year passes without any disbursement from or encumbrance of the appropriation.

Deposits and Investments

Cash includes amounts in demand deposits as well as time certificates of deposit.

State statutes authorize the City to invest in the following types of securities:

- (1) Direct U.S. Treasury obligations, the principal and interest of which are fully guaranteed by the U.S. Government.
- (2) Fully-collateralized certificates of deposit issued by qualified commercial banks and savings and loan institutions located within the State of Louisiana. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a non-profit corporation formed by an initiative of the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool.
- (3) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by federal agencies, or by U.S. Government instrumentalities which are federally sponsored, and provided such obligations are backed by the full faith and credit of the U.S. government.
- (4) Direct repurchase agreements of any federal bank entry only securities enumerated in paragraphs (1) and (3) above. "Direct security repurchase agreement" means an agreement under which the political subdivision buys, holds for a specified time and then sells back those securities and obligations enumerated in paragraphs (1) and (3) above.
- (5) Mutual or trust fund institutions which are registered with the Securities and Exchange Commission under the Securities Act of 1933, and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the U.S. government or its agencies.

CITY OF MANDEVILLE, LOUISIANA

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Deposits and Investments (Continued)

Short-term investments are stated at amortized cost, which approximates market. Certain investments, as required by GASB 31, are reported at fair value, (quoted market price or the best available estimate).

Inventories

Governmental fund type inventories are accounted for using the "purchases" method.

It was not practicable to determine the amount of governmental fund type inventories at August 31, 2009, and, therefore, such inventories are not reported in the accompanying governmental fund type financial statements as required by accounting principles generally accepted in the United States of America. In the opinion of management, such inventories would be immaterial to the financial statements.

There exist inventories of cemetery plots and mausoleum crypts of \$99 at August 31, 2009. These inventories are valued at cost.

Materials and supplies inventory of the proprietary fund are stated at the lower of cost or market, or at cost, determined by the first-in, first-out method.

Property Taxes

Property taxes are due on January 1st and delinquent if not paid by March 31st. Property on which the taxes have not been paid is adjudicated to the City after being offered for sale to the public. Receivables - Tax liens are reflected in the financial statements. Total property tax revenue for the year ended August 31, 2009, was \$2,586,915 and was recorded in the funds as follows:

General Fund	\$ 2,521,152
Debt Service Fund	<u>65,763</u>
Total	<u>\$ 2,586,915</u>

Accounts Receivable

Outstanding balances between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/due from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "Internal Balances."

Uncollectible amounts due for customers' utility receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available, which would indicate the uncollectibility of the particular receivable. The allowance was \$217,052 at August 31, 2009.

CITY OF MANDEVILLE, LOUISIANA

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical costs are not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The City maintains a threshold level of \$5,000 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital outlays are recorded as expenditures of the general, special revenue and capital projects funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met. In accordance with GASB 34, infrastructure has been capitalized retroactively to 1980. Effective in fiscal year 2004, interest incurred during construction is capitalized on a government-wide basis. Interest attributable to capitalized assets as of August 31, 2009, was immaterial. Depreciation is recorded on general fixed assets on a government-wide basis. Capital outlays of the proprietary funds are recorded as fixed assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the government-wide basis.

Description	Estimated Useful Lives
Roads, Bridges and Infrastructure	20 - 40 Years
Land Improvements	20 Years
Buildings and Building Improvements	20 - 40 Years
Furniture and Fixtures	7 Years
Vehicles	5 Years
Equipment	3 - 20 Years

Long-Term Obligations

In the government-wide financial statements, debt principal payments of both government and business-type activities are reported as decreases in the balance of the liability on the Statement of Net Assets. In the fund financial statements, however, debt principal payments of governmental funds are recognized as expenditures when paid.

CITY OF MANDEVILLE, LOUISIANA

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Fund Equity

Government-Wide Statements

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction or improvement of those assets.
2. Restricted net assets - Net assets with constraints placed on the use either by:
 - a. external groups such as creditors, grantors, contributors or laws or regulations of other governments, or
 - b. law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved.

Interfund Transactions

Permanent re-allocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF MANDEVILLE, LOUISIANA

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds except the debt service funds which were not budgeted. All annual appropriations lapse at fiscal year end.

General fund revenues were \$744,487 less than final budgeted revenues. This was the result of actual revenues for grants being less than budgeted due to grants that were awarded but did not begin.

The City does not utilize encumbrance accounting.

Note 2. Stewardship, Compliance and Accountability

Deposits and Investment Laws and Regulations

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. At August 31, 2009, the City's deposits were adequately collateralized by FDIC insurance and by securities pledged by the financial institution.

Excess of Expenditures over Appropriations

There were no individual funds which had actual expenditures over budgeted appropriations for the year ended August 31, 2009.

Deficit Fund Equity

As of August 31, 2009, no City funds had deficit fund equities.

Compliance with Debt Covenants

Compliance with Sales Tax Bond Covenants: As of August 31, 2009, the City was in compliance with all Sales Tax Bond Covenants.

Note 3. Cash and Cash Equivalents

At August 31, 2009, the City had cash and cash equivalents (book balances) totaling \$13,241,900. These deposits are stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank or through letters of credit issued by the Federal Home Loan Bank. The market value of the pledged securities plus the federal deposit insurance and letters of credit must at all times equal the amount on deposit with the fiscal agent.

CITY OF MANDEVILLE, LOUISIANA

Notes to Financial Statements

Note 3. Cash and Cash Equivalents (Continued)

Custodial Credit Risk - Custodial credit risk is that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At August 31, 2009, the City had \$14,266,055 (collected bank balances). These deposits are secured from risk by \$1,176,859 of federal deposit insurance, \$13,100,000 was covered by letters of credit, and \$8,202,281 was covered by pledged securities held by the custodial bank's trust department not in the name of the City (GASB Category 2).

Louisiana Revised Statute 39:1229 imposes a requirement on the custodian bank to advertise and sell the pledged securities within 10 days of being notified by the City that the fiscal agent has failed to pay deposited funds upon demand.

Note 4. Investments

At August 31, 2009, the City has investments which include \$9,593,357 invested in the Louisiana Asset Management Pool (LAMP) and \$8,318,366 in other securities.

Credit Risk

Investment	Rating	Percentage
LAMP	AAAm	54%
Federal Home Loan Bank	AAA	26%
Federal Home Loan Mtg Corp Disc Notes	AAA	7%
Federal Home Loan Mtg Assoc.	AAA	4%
Federal Home Loan Bank Disc Notes	AAA	4%
Federal National Mtg Assoc. Disc Notes	AAA	3%
Federal Home Loan Mtg Corp	AAA	1%
Certificates of Deposit	AAA	1%

Concentration of Credit Risk

It is the policy of the City to diversify its investment portfolios. Assets shall be diversified to eliminate the risk of loss resulting from the over concentration of assets in a specific maturity, a specific issuer or a specific class of securities.

More than 5% of the City's investment are in Federal Home Loan Bank and Federal Home Loan Mortgage Corporation Discount Notes. These investments are 26% and 7%, respectively, of the City's total investments.

CITY OF MANDEVILLE, LOUISIANA**Notes to Financial Statements**

Note 4. Investments (Continued)**Interest Rate Risk**

Investment	Maturity Date	Fair Value
Federal Home Loan Bank	September 2009	\$ 500,781
Federal Home Loan Bank Disc Notes	September 2009	700,000
Federal National Mtg Assoc Disc Notes	November 2009	624,813
Certificates of Deposit	December 2009	250,000
Federal Home Loan Bank	January 2010	202,438
Federal National Mtg Assoc Disc Notes	January 2010	624,625
Federal National Mtg Assoc Disc Notes	February 2010	624,375
Federal National Mtg Assoc	March 2010	725,314
Federal Home Loan Bank	April 2010	1,103,094
Federal Home Loan Bank	June 2010	831,037
Federal Home Loan Bank	July 2010	1,053,016
Federal Home Loan Bank	August 2010	400,500
Federal Home Loan Bank	March 2011	100,125
Federal Home Loan Mtg Corp	March 2011	100,022
Federal Home Loan Bank	May 2012	250,625
Federal Home Loan Bank	May 2019	227,601
Louisiana Asset Management Pool	Not Applicable	<u>9,593,357</u>
Total		<u>\$ 17,911,723</u>

To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than one year from the date of purchase. Reserve funds may be invested in securities exceeding one year if the maturity of such investments is made to coincide as nearly as practicable with the expected use of the funds.

CITY OF MANDEVILLE, LOUISIANA

Notes to Financial Statements

Note 5. Receivables

As of August 31, 2009, the receivables, at net, are as follows:

	General Fund	Debt Service Fund	Enterprise Fund	Total
Accounts Receivable	\$ -	\$ -	\$ 304,595	\$ 304,595
Ad Valorem	-	5,062	-	5,062
FEMA Receivables	233,047	-	233,144	466,191
Other	9,285	-	-	9,285
Total	\$ 242,332	\$ 5,062	\$ 537,739	\$ 785,133

Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Total allowance for doubtful accounts amounted to \$45,555 for governmental activities and \$217,052 for the business-type activities.

Note 6. Interfund Receivables/Payables

The primary purpose of interfund receivables/payables is to loan monies from the general fund to individual funds to cover current expenditures. Individual fund balances due from/to other funds at August 31, 2009, are as follows:

Fund	Due From Other Funds	Due To Other Funds
General Fund	\$ 1,663,522	\$ -
Tax Collector Fund	-	243,570
Enterprise Fund	-	1,419,952
Total	\$ 1,663,522	\$ 1,663,522

CITY OF MANDEVILLE, LOUISIANA

Notes to Financial Statements

Note 7. Capital Assets

The following is a summary of the changes in capital assets for the fiscal year ended August 31, 2009:

Governmental Activities	Balance August 31, 2008	Increases	Decreases	Balance August 31, 2009
Capital Assets Not Depreciated				
Land	\$ 3,396,511	\$ 250,686	\$ 231,769	\$ 3,415,428
Capital Assets Being Depreciated				
Infrastructure - Streets	36,242,550	1,666,749	-	37,909,299
Trace and Trailhead	3,867,715	105,756	57,602	3,915,869
Drainage	6,208,266	-	-	6,208,266
Vehicles	2,082,774	279,485	248,380	2,113,879
Equipment	1,400,476	397,855	26,022	1,772,309
Buildings	3,139,536	80,874	-	3,220,410
Office Equipment and Furniture	78,077	-	2,950	75,127
Harbor	623,439	-	-	623,439
Total Capital Assets Being Depreciated	53,642,833	2,530,719	334,954	55,838,598
Less Accumulated Depreciation for:				
Infrastructure - Streets	(26,722,838)	(1,394,841)	-	(28,117,679)
Trace and Trailhead	(647,272)	(97,310)	(31,921)	(712,661)
Drainage	(1,151,969)	(186,989)	-	(1,338,958)
Vehicles	(1,377,692)	(232,861)	(237,178)	(1,373,375)
Equipment	(673,889)	(138,632)	(25,287)	(787,234)
Buildings	(1,340,459)	(127,389)	-	(1,467,848)
Office Equipment and Furniture	(63,429)	(6,100)	(2,949)	(66,580)
Harbor	(74,205)	(23,342)	-	(97,547)
Total Accumulated Depreciation	(32,051,753)	(2,207,464)	(297,335)	(33,961,882)
Total Capital Assets Being Depreciated, Net	21,591,080	323,255	37,619	21,876,716
Total	\$ 24,987,591	\$ 573,941	\$ 269,388	\$ 25,292,144

CITY OF MANDEVILLE, LOUISIANA

Notes to Financial Statements

Note 7. Capital Assets (Continued)

Depreciation was charged to governmental functions as follows:

Infrastructure - Street Construction	\$ 1,023,579
Public Safety - Police	196,876
Public Works - Street Maintenance	703,252
General Government - City Hall	<u>283,757</u>
Total	<u>\$ 2,207,464</u>

Capital outlays are reported as expenditures in the governmental funds; however, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. The adjustment from governmental funds to the government-wide statements is summarized as follows:

Primary Government	
Capital Outlay	\$ 2,781,405
Depreciation Expense	<u>2,207,464</u>
Total Adjustment	<u>\$ 573,941</u>

The following is a summary of changes in capital assets for business-type activities for the fiscal year ended August 31, 2009:

Business-Type Activities	Balance August 31, 2008	Increases	Decreases	Balance August 31, 2009
Land	\$ 1,745,392	\$ -	\$ -	\$ 1,745,392
Buildings	1,250,167	49,860	-	1,300,027
Water Wells, Lines and Tower	16,100,098	6,266	-	16,106,364
Sewer Lines	15,806,142	1,920,113	-	17,726,255
Equipment and Vehicles	1,731,807	49,688	31,107	1,750,388
Wastewater Treatment Plant	<u>2,891,853</u>	<u>-</u>	<u>-</u>	<u>2,891,853</u>
Total Capital Assets	39,525,459	2,025,927	31,107	41,520,279
Less: Accumulated Depreciation for Plant, Buildings and Equipment	<u>10,399,453</u>	<u>996,605</u>	<u>28,107</u>	<u>11,367,951</u>
Total	<u>\$ 29,126,006</u>	<u>\$ 1,029,322</u>	<u>\$ 3,000</u>	<u>\$ 30,152,328</u>

CITY OF MANDEVILLE, LOUISIANA

Notes to Financial Statements

Note 7. Capital Assets (Continued)

Construction Commitments

The City has active construction projects as of August 31, 2009. The projects include street overlay, harbor playground, and ecosystem restoration. At year end, the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Street Overlays	\$ 120,367	\$ 1,937,000
Harbor Playground	-	293,000
Aquatic Ecosystem Restoration	1,707,851	2,242,000

Note 8. Employee Pension Plan

Municipal Employees Retirement System of Louisiana (MERS)

Plan Description and Provisions

All of the City's full-time employees, other than police employees, participate in MERS, a multiple-employer, cost sharing pension plan.

Employees can retire providing they meet one of the following criteria:

1. 25 years or more service, at any age.
2. 10 years or more service, at age 60 or thereafter.
3. Has at least five years of service credit towards the plan, is not eligible for normal retirement benefits, suffers disability and is approved by the board of trustees after medical review and is eligible to retire and receive disability retirement benefits.
4. Survivor's benefits require five years creditable service at death of member.

Generally, the monthly amount of the retirement allowance for any member shall consist of an amount equal to 3% of the member's final compensation multiplied by his years of creditable service. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

If a member's employment is terminated before the member is eligible for any benefits under MERS, the member shall receive a refund of his member contributions.

Description of Funding Policy

MERS' contribution requirements are not actuarially determined. Instead, the contribution requirements are currently established by statute. The member contribution rate was 6.75% as of August 31, 2009. The employer's contribution rate was 13.50% as of August 31, 2009. The City has elected to pay the member contribution as an additional benefit to City employees. The City's contributions for the years ended August 31, 2009, 2008 and 2007, was \$326,311, \$302,148 and \$312,282, respectively, equal to the required contributions for each year.

CITY OF MANDEVILLE, LOUISIANA

Notes to Financial Statements

Note 8. Employee Pension Plan (Continued)

Trend Information

Six year historical trend information presenting MERS' progress in accumulating sufficient assets to pay benefits when due is presented in MERS' June 30, 2009, annual financial report. MERS' June 30, 2009, annual financial report may be obtained by writing to MERS at 7937 Office Park Blvd., Baton Rouge, LA 70809.

Municipal Police Employees Retirement System of Louisiana (MPERS)

Plan Description and Provision

A majority of the City's full-time police officers participate in MPERS, a multiple-employer, cost sharing pension plan.

Any member is eligible for normal retirement after he or she has been a member of MPERS for one year, if he or she has 25 years of creditable service at any age, has 20 years creditable service and is age 50, or has 12 years creditable service and is age 55.

Benefit rates are 3¼% of average final compensation (average monthly earnings during the highest 36 consecutive months or joined months if service was interrupted) per number of years creditable service not to exceed 100% of final salary.

A member is eligible to receive disability benefits if he was an active contributing member of MPERS or, if he is no longer a member but has 20 years creditable service established in MPERS and suffers disability, which has been certified by examination by a member of the Statewide Medical Disability Board. A service related disability requires no certain number of years of creditable service, however, a non-service connected disability requires five years of creditable service.

The disability benefits are calculated at 3% of average final compensation multiplied by years of creditable service, but shall not be less than 40% or more than 60% of average final compensation. Upon reaching the age required for regular retirement, the disability pensioner receives the greater of disability benefit or accrued benefit earned to date of disability.

Upon the death of an active contributing member or disability retiree, the plan provides benefits for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from 40 to 60% of the member's average final compensation.

Description of Funding Policy

Contributions for all member employees are established by statute at 9.5% of employee's earnable compensation excluding overtime, but including state supplemental pay. The employer contribution rate was 13.75% as of August 31, 2009. The City has elected to pay the member contribution as an additional benefit to City police employees. The City's contributions for the years ended August 31, 2009, 2008 and 2007, were \$265,751, \$332,092 and \$310,391, respectively, which equal the required contributions for each year.

CITY OF MANDEVILLE, LOUISIANA

Notes to Financial Statements

Note 8. Employee Pension Plan (Continued)

Trend Information

Six-year historical trend information presenting MPERS' progress in accumulating sufficient assets to pay benefits when due is presented in MPERS' June 30, 2009 annual financial statements. That report may be obtained by writing to MPERS at 7722 Office Park Blvd, Suite 200, Baton Rouge, LA 70809.

Note 9. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. An independent plan administrator through an administrative service agreement administers the plan. The City's administrative involvement is limited to transmitting amounts withheld to the plan administrator who performs investing functions.

Plan assets are held in trust for the exclusive benefit of the participants and their beneficiaries. The assets will not be diverted to any other purpose. Accordingly, the plan assets and related liabilities have not been included herein.

Note 10. Accumulated Unpaid Vacation Leave and Sick Pay

A majority of employees may accrue annual leave up to a maximum of 30 days. At termination, employees are paid for any accumulated annual leave. No payment is made to terminated employees for accrued sick leave. The amount of accumulated annual leave payable in the accompanying government-wide financial statements at August 31, 2009, was \$476,520, which is included in Accrued Liabilities.

Note 11. Mausoleum Endowed Care Trust Fund

The City entered into an agreement with the Citizens Bank and Trust Company on June 24, 1966, creating "Lake Lawn Park, Inc., Endowed Care Trust, Town of Mandeville." This Trust Fund was created to provide for the maintenance and care of the mausoleum. On January 24, 2006, the account was transferred to Argent Trust. The Trust Fund can make disbursements to the City "upon presentation to the company of an itemized and notarized statement of maintenance expenses and costs approved and signed by the mayor." This account is not reflected on the financial statements because the Trust Fund is not considered a part of the reporting entity and is not significant in total.

CITY OF MANDEVILLE, LOUISIANA

Notes to Financial Statements

Note 12. Long-Term Liabilities

The following is a summary of long-term liabilities of the City for the year ended August 31, 2009:

	General Obligation
Bonds and Certificates Payable at September 1, 2008	\$ 6,015,000
Bonds Issued	-
Bonds Retired	(1,155,000)
Total Long-Term Debt	\$ 4,860,000

General Obligation Bonds Retirement Schedule

Sales Tax Bonds	Payment Dates	Interest % Rate	Year	Annual Serial Payments
Series 2006. Refunded 01/04/2007, for \$4,310,000				
Payable from Special 1% Sales Tax (Water Improvements)	Jan. 1 st	3.85	2010	\$ 350,000
	and	3.85	2011	365,000
	July 1 st	3.85	2012	380,000
		3.85	2013	400,000
		3.85	2014	415,000
		3.85	2015	435,000
		3.85	2016	450,000
		3.85	2017	475,000
		3.85	2018	495,000
		3.85	2019	515,000
				<u>4,280,000</u>
Water Improvement Bonds				
Bonds Issued 08/18/2003, for \$1,035,000	Feb. 1 st	2.65	2010	105,000
Payable from Ad Valorem Taxes	and	2.90	2011	110,000
	Aug. 1 st	3.15	2012	115,000
		3.25	2013	120,000
		3.40	2014	130,000
				<u>580,000</u>
Total General Obligation Bonds				\$ 4,860,000

CITY OF MANDEVILLE, LOUISIANA**Notes to Financial Statements**

Note 12. Long-Term Liabilities (Continued)

Principal and Interest Repayment Schedule for the Year Ending August 31st:

	Principal	Interest	Total
2010	\$ 455,000	\$ 174,566	\$ 629,566
2011	475,000	157,816	632,816
2012	495,000	140,069	635,069
2013	520,000	121,293	641,293
2014	545,000	101,444	646,444
2015 - 2019	2,370,000	236,005	2,606,005
Total	\$ 4,860,000	\$ 931,193	\$ 5,791,193

Note 13. Post-Employment Benefits**Plan Description**

The City's medical and dental benefits are provided to employees upon actual retirement.

The employee or retiree pays a flat monthly charge and the employer pays the remainder of the cost of the medical and dental benefits for the retiree and dependents. Employees are covered by one of two retirement systems: first, the Municipal Employees' Retirement System of Louisiana, whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 25 years of service at any age; or, age 60 and 10 years of service; second, the Municipal Police Retirement System of Louisiana, whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 25 years of service at any age; age 50 and 20 years of service; or, age 55 and 12 years of service.

Contribution Rates

Employees do not contribute to their post-employment benefits costs until they become retirees and begin receiving those benefits. The plan provisions and contribution rate are contained in the official plan documents.

Fund Policy

Until 2008, the City recognized the cost of providing post-employment medical/dental benefits (City of Mandeville's portion of the retiree medical/dental benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis. In the year ended August 31, 2009, the City's portion of health care funding costs for retired employees totaled \$18,817.

Effective with the Fiscal Year beginning September 1, 2008, the City implemented GASB 45.

CITY OF MANDEVILLE, LOUISIANA

Notes to Financial Statements

Note 13. Post-Employment Benefits (Continued)

Annual Required Contribution

The City's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The ARC is the sum of the normal cost plus the contribution to amortize the Actuarial Accrued Liability (AAL). A level dollar, open amortization period of 30 years (the maximum amortization period allowed by GASB 43 and GASB 45) has been used for the post-employment benefits. The total ARC for the fiscal year beginning September 1, 2008, is \$334,346 for medical/dental, as set forth below:

	Medical/Dental
Normal Cost	\$ 164,777
30-Year UAL Amortization Amount	<u>169,569</u>
Annual Required Contribution (ARC)	<u><u>\$ 334,346</u></u>

Net Post-Employment Benefit Obligation

The table below shows the City's Net Other Post-Employment Benefit (OPEB) Obligation for the year ended August 31, 2009:

	Medical/Dental
Beginning Net OPEB Obligation September 1, 2008	\$ -
Annual Required Contribution	334,346
Interest on Net OPEB Obligation	-
ARC Adjustment	<u>-</u>
OPEB Cost	334,346
Contribution	-
Current Year Retiree Premium	<u>(18,817)</u>
Ending Net OPEB Obligation August 31, 2009	<u><u>\$ 315,529</u></u>

CITY OF MANDEVILLE, LOUISIANA

Notes to Financial Statements

Note 13. Post-Employment Benefits (Continued)

Net Post-Employment Benefit Obligation (Continued)

The following table shows the City's annual post-employment benefits (PEB) cost, percentage of the cost contributed, and the net unfunded PEB liability:

Post Employment Benefit	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
Medical/Dental	August 31, 2009	\$ 334,346	5.6%	\$ 315,529

Funded Status and Funding Progress

In the fiscal year ending August 31, 2009, the City made no contributions to its post-employment benefits plan. The plan was not funded at all, has no assets, and hence has a funded ratio of zero. As of September 1, 2008, the first and most recent actuarial valuation, the Actuarial Accrued Liability (AAL) was \$2,932,167 (medical/dental), which is defined as that portion, as determined by a particular actuarial cost method (the City uses the Unit Credit Cost Method), of the actuarial present value of post-employment plan benefits and expenses which is not provided by normal cost. Since the plan was not funded during the fiscal year ended August 31, 2009, the entire Actuarial Accrued Liability of \$2,932,167 (medical/dental) was unfunded.

	Medical/Dental
Actuarial Accrued Liability (AAL)	\$ 2,932,167
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 2,932,167</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll (Active Plan Members)	\$ 4,349,852
UAAL as a Percentage of Covered Payroll	67.41%

CITY OF MANDEVILLE, LOUISIANA

Notes to Financial Statements

Note 13. Post-Employment Benefits (Continued)

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for post-employment benefits includes estimates and assumptions regarding (1) turnover rate; (2) retirement rate; (3) health care cost trend rate; (4) mortality rate; (5) discount rate (investment return assumption); and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the City and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the City and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the City and plan members in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

Actuarial Cost Method

The ARC is determined using the Unit Credit Cost Method. The employer portion of the cost for retiree medical in each future year is determined by projecting the current cost levels using the health care cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality and turnover.

Actuarial Value of Plan Assets

Since this is the first actuarial valuation, there are not any assets. It is anticipated that in future valuations a smoothed market value consistent with Actuarial Standards Board ASOP 6, as provided in paragraph number 125 of GASB 45, will be used.

Turnover Rate

An age-related turnover scale based on actual experience as described by administrative staff has been used. The rates, when applied to the active employee census, produce an annual turnover of approximately 8%. The rates for each age are below:

Age	Percent Turnover
18 - 26	15.0%
27 - 41	9.0%
42 - 55	8.0%
55+	6.0%

Note 13. Post-Employment Benefits (Continued)

Post-Employment Benefit Plan Eligibility Requirements

Based on past experience, it has been assumed that entitlements to benefits will commence six years after retirement eligibility (D.R.O.P entry), as described above, except that police personnel were assumed to wait until age 60 and 10 years of service instead of age 55 and 12 years of service.

Investment Return Assumption (Discount Rate)

GASB 45 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits (that is, for a plan which is funded). Based on the assumption that the ARC will not be funded, a 4% annual investment return has been used in this valuation. This is a conservative estimate of the expected long-term return of a balanced and conservative investment portfolio under professional management.

Health Care Cost Trend Rate

The expected rate of increase in medical cost is based on projections performed by the Office of the Actuary at the Centers for Medicare & Medicaid Services as published in *National Health Care Expenditures Projections: 2003 to 2013, Table 3: National Health Expenditures, Aggregate and per Capita Amounts, Percent Distribution and Average Annual Percent Change by Source of Funds: Selected Calendar Years 1990-2013*, released in January 2004 by the Health Care Financing Administration (www.cms.hhs.gov). "State and Local" rates for 2009 through 2013 from this report were used, with rates beyond 2013 graduated down to an ultimate annual rate of 5.0% for 2016 and later.

Mortality Rate

The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rates and 50% of the unloaded female mortality rates, was used. This is the mortality table which the Internal Revenue Service requires to be used in determining the value of accrued benefits in defined benefit pension plans.

Method of Determining Value of Benefits

The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The employee or retiree pays a flat monthly charge, currently \$46.84, and the employer pays the remainder of the cost of the medical and dental benefits for there retiree and dependents. Retiree coverage is offered only until attainment of age 65. The rates provided are "blended" rates. Since GASB 45 mandates that "unblended" rates be used, we have estimated the "unblended" rates for two broad groups: active and retired before Medicare eligibility. It has been assumed that the retiree rate before Medicare eligibility is 130% of the blended rate.

CITY OF MANDEVILLE, LOUISIANA

Notes to Financial Statements

Note 14. Interfund Transfers

Operating transfers between funds consist primarily of sales tax revenues transferred out of the sales tax fund and special sales tax fund to the particular funds for which the sales tax revenue is to be used.

	Transfers In	Transfers Out
Governmental Funds		
Major Funds		
General Fund	\$ 5,516,500	\$ -
Sales Tax Fund	-	(12,888,825)
Special Sales Tax Fund	5,075,785	(5,073,903)
Street Construction Fund	3,727,382	-
Non-Major Funds		
Bond Sinking Fund	1,263,903	-
Bond Reserve Fund	-	(30,842)
Total Governmental Funds	15,583,570	(17,993,570)
Proprietary Funds	2,410,000	-
Total All Funds	\$ 17,993,570	\$ (17,993,570)

Note 15. Reserved Fund Balances

The reserved fund balances as of August 31, 2009, are as follows:

Reserved for Debt Service

This reserve represents the amounts reserved for payment of principal and interest maturing in future years on bonded debt.

Reserved for Inventory

This reserve was established for inventories of cemetery plots and mausoleum crypts.

Reserved for Infrastructure

This reserve represents the amounts reserved for funding of infrastructure projects.

Note 16. Contingent Liabilities

The City is a defendant in several lawsuits, which are currently pending. The City persists in its vigorous defense of these lawsuits and maintains that the defenses available should shield the City from liability or, at a minimum, preclude the amount of damages sought by the plaintiffs. The majority of the cases are covered by insurance and, in the opinion of legal counsel for the City, the ultimate resolutions of these cases will not result in a significant liability to the City.

CITY OF MANDEVILLE, LOUISIANA

Notes to Financial Statements

Note 17. Risk of Loss

The City of Mandeville is exposed to various risks of loss related to damage and destruction of assets, errors and omissions, and injuries to employees. The City has contracted with various insurers to cover its risk of loss in these areas.

The City has also contracted with various insurers to provide health insurance coverage for its workers.

REQUIRED SUPPLEMENTAL INFORMATION (PART II)
BUDGETARY COMPARISON SCHEDULES

CITY OF MANDEVILLE, LOUISIANA
Budgetary Comparison Schedule
General Fund
For the Year Ended August 31, 2009

Required Supplemental Information
Schedule 1

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Favorable/ (Unfavorable)
Revenues				
Taxes	\$ 3,185,500	\$ 3,520,000	\$ 3,460,031	\$ (59,969)
Licenses and Permits	1,386,500	1,353,500	1,345,019	(8,481)
Intergovernmental Grants	-	679,500	402,730	(276,770)
Charges for Services	800,000	793,000	815,323	22,323
Fines and Forfeitures	275,000	215,000	210,757	(4,243)
Interest Income	30,000	50,000	51,813	1,813
Disaster Income	-	740,000	299,585	(440,415)
Miscellaneous	179,000	275,000	298,505	23,505
Donations	4,000	11,500	9,250	(2,250)
Total Revenues	5,860,000	7,637,500	6,893,013	(744,487)
Expenditures				
Current				
General Government	3,862,000	5,321,500	4,503,571	817,929
Public Safety	4,801,500	5,116,000	4,808,955	307,045
Public Works	1,926,500	2,557,000	1,602,171	954,829
Cemetery	20,000	76,000	22,167	53,833
Capital Outlay	862,000	4,162,500	995,001	3,167,499
Total Expenditures	11,472,000	17,233,000	11,931,865	5,301,135
Deficiency of Revenues Under Expenditures	(5,612,000)	(9,595,500)	(5,038,852)	4,556,648
Other Financing Sources				
Operating Transfers In (Out)				
Sales Tax Fund	5,212,000	5,116,500	5,116,500	-
Special Sales Tax Fund	400,000	850,000	400,000	(450,000)
Depreciation/Reserves	(1,200,000)	(1,500,000)	-	1,500,000
Total Other Financing Sources	4,412,000	4,466,500	5,516,500	1,050,000
Net Change in Fund Balance	\$ (1,200,000)	\$ (5,129,000)	477,648	\$ 5,606,648
Fund Balance, Beginning of Year			7,104,170	
Fund Balance, End of Year			\$ 7,581,818	

CITY OF MANDEVILLE, LOUISIANA
Budgetary Comparison Schedule
General Fund
For the Year Ended August 31, 2009

Required Supplemental Information
Schedule 2

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Favorable/ (Unfavorable)
Taxes				
Ad Valorem	\$ 2,250,000	\$ 2,600,000	\$ 2,521,152	\$ (78,848)
Franchise	920,000	920,000	938,879	18,879
Tobacco	15,500	-	-	-
Total Taxes	3,185,500	3,520,000	3,460,031	(59,969)
Licenses and Permits				
Building Permits	190,000	130,000	122,849	(7,151)
Insurance Licenses	550,000	555,000	551,767	(3,233)
Privilege and Occupational Licenses	585,000	600,000	598,082	(1,918)
Contractors' Licenses	16,000	23,000	23,670	670
Beer and Liquor Licenses	45,000	45,000	48,643	3,643
Dog Licenses	500	500	8	(492)
Total Licenses and Permits	1,386,500	1,353,500	1,345,019	(8,481)
Intergovernmental				
Federal and State Grants	-	679,500	402,730	(276,770)
Total Intergovernmental	-	679,500	402,730	(276,770)
Charges for Services				
Garbage Fees	770,000	770,000	792,042	22,042
Sale of Cemetery Plots	15,000	15,000	15,700	700
Zoning Fees	14,000	7,000	6,734	(266)
Culvert Fees	1,000	1,000	847	(153)
Total Charges for Services	800,000	793,000	815,323	22,323
Fines and Forfeitures	275,000	215,000	210,757	(4,243)
Interest Income	30,000	50,000	51,813	1,813
Disaster Income	-	740,000	299,585	(440,415)
Miscellaneous				
Miscellaneous	145,000	170,000	194,300	24,300
Sale of Property/Equipment	3,000	80,000	78,422	(1,578)
Keep Mandeville Beautiful	11,000	3,000	2,048	(952)
Community Center	20,000	22,000	23,735	1,735
Total Miscellaneous	179,000	275,000	298,505	23,505
Donations	4,000	11,500	9,250	(2,250)
Total Revenues	\$ 5,860,000	\$ 7,637,500	\$ 6,893,013	\$ (744,487)

CITY OF MANDEVILLE, LOUISIANA
Budgetary Comparison Schedule
General Fund
For the Year Ended August 31, 2009

Required Supplemental Information
Schedule 2 (Continued)

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Favorable/ (Unfavorable)
General Government				
Salaries, Overtime and Vacation	\$ 1,077,000	\$ 1,117,000	\$ 1,070,016	\$ 46,984
Payroll Taxes	82,000	85,000	75,130	9,870
Retirement	236,000	240,000	204,530	35,470
Employee Medical Insurance	360,000	377,000	339,813	37,187
Workmen's Compensation	7,000	8,000	5,462	2,538
Audit and Accounting	27,500	48,000	38,000	10,000
Magistrate Retainer	18,000	18,000	18,000	-
City Engineer Retainer	6,000	6,000	6,000	-
Engineer Fees - Special Projects	100,000	210,500	182,944	27,556
Computer Programs and Supplies	123,000	219,000	123,794	95,206
Membership, Dues and Subscriptions	24,000	24,000	22,824	1,176
Stationery and Printing	7,000	14,500	13,933	567
Utilities	75,000	79,000	75,483	3,517
Telephone	23,000	23,000	16,810	6,190
Advertising	10,000	15,000	14,307	693
General Insurance	24,000	24,000	24,000	-
Janitorial Service and Supplies	34,000	34,000	33,441	559
Insurance - Property	12,000	12,000	11,964	36
Miscellaneous	3,000	3,000	2,027	973
Office Supplies	25,000	25,000	14,424	10,576
City Hall Maintenance	21,000	62,000	26,027	35,973
Recreation - Equipment Maintenance	10,000	19,000	17,498	1,502
Community Center	28,000	28,000	20,136	7,864
Parks and Parkways	50,000	301,000	99,370	201,630
Recording Fees	4,000	4,000	1,261	2,739
Trailhead	85,000	85,000	57,429	27,571
Keep Mandeville Beautiful	33,000	85,000	65,079	19,921
Postage	15,000	15,000	10,185	4,815
Banquets	8,000	14,000	824	13,176
Travel, Meetings and Conferences	23,000	23,000	15,216	7,784
Decorations and Beautification	20,000	20,000	15,161	4,839
Social Service Programs	23,000	23,000	22,000	1,000
Council on Aging	2,500	5,000	5,000	-
Economic Development Council	6,000	6,000	5,000	1,000
Animal Control	25,000	34,000	30,015	3,985

CITY OF MANDEVILLE, LOUISIANA
Budgetary Comparison Schedule
General Fund
For the Year Ended August 31, 2009

Required Supplemental Information
Schedule 2 (Continued)

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Favorable/ (Unfavorable)
General Government				
Humanities	6,000	6,000	6,000	-
Youth Service	10,000	10,000	10,000	-
Mayor Allowance	8,500	8,500	1,309	7,191
Planning and Zoning Meeting Fees	8,500	8,500	8,400	100
Council Meeting Fees	60,000	60,000	60,000	-
Car Allowance	500	500	142	358
Civil Service	3,000	3,000	2,778	222
Uniforms	6,000	6,000	5,435	565
Fuel, Oil and Lube	16,000	16,000	10,453	5,547
Insurance - Vehicle	6,000	6,000	3,570	2,430
Vehicle Maintenance	5,000	5,500	5,286	214
Maintenance of Equipment	3,000	3,000	1,418	1,582
Equipment Rental	11,000	12,000	10,839	1,161
Contract Labor	285,000	404,000	232,302	171,698
Training	13,500	13,500	13,008	492
Garbage Collection Fees	748,000	748,000	742,799	5,201
Hurricane Expense	-	600,000	589,427	10,573
General Liability Claims	35,000	75,000	89,449	(14,449)
Legal Fees	10,000	30,000	27,853	2,147
Total General Government	\$ 3,862,000	\$ 5,321,500	\$ 4,503,571	\$ 817,929

CITY OF MANDEVILLE, LOUISIANA
Budgetary Comparison Schedule
General Fund
For the Year Ended August 31, 2009

Required Supplemental Information
Schedule 2 (Continued)

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Favorable/ (Unfavorable)
Public Safety				
Salaries, Overtime and Vacation	\$ 2,572,000	\$ 2,728,000	\$ 2,663,575	\$ 64,425
Payroll Taxes	211,000	219,000	213,969	5,031
Retirement	417,500	447,500	449,361	(1,861)
Insurance - Employee Medical	761,000	761,000	713,089	47,911
Workmen's Compensation	114,000	118,000	76,309	41,691
Computer Supplies	88,000	88,000	87,420	580
Dues and Subscription	3,500	3,500	3,499	1
Printing	4,000	4,000	3,214	786
Utilities	30,000	32,000	30,254	1,746
Telephone	33,000	33,000	21,674	11,326
Insurance - Police Professional	30,000	30,000	30,000	-
Janitorial	17,500	17,500	15,960	1,540
Insurance - Building	15,000	15,000	12,738	2,262
Office Supplies	11,500	11,500	8,633	2,867
Building Maintenance and Repair	20,000	60,000	17,991	42,009
Postage	3,500	3,500	1,964	1,536
Conferences and Conventions	6,000	6,000	4,584	1,416
Crime Prevention	13,500	20,500	16,076	4,424
Civil Service	27,000	42,000	35,154	6,846
Maintenance of Radios and Radar	60,000	80,000	77,925	2,075
Uniforms	28,000	28,000	27,276	724
Fuel, Oil and Lube	133,000	133,000	97,483	35,517
Vehicle and Equipment Insurance	34,000	34,000	31,000	3,000
Maintenance and Repairs of Vehicles	55,000	55,000	51,954	3,046
Equipment Maintenance and Repair	1,500	1,500	1,499	1
Crime Investigation	3,000	3,000	2,668	332
Police Supplies	63,500	96,000	71,587	24,413
Equipment Rental	8,000	8,000	6,802	1,198
Schools and Training Course	35,000	35,000	34,479	521
Prisoner Expense	2,500	2,500	818	1,682
Total Public Safety	\$ 4,801,500	\$ 5,116,000	\$ 4,808,955	\$ 307,045

CITY OF MANDEVILLE, LOUISIANA
Budgetary Comparison Schedule
General Fund
For the Year Ended August 31, 2009

Required Supplemental Information
Schedule 2 (Continued)

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Favorable/ (Unfavorable)
Public Works				
Salaries and Vacation	\$ 729,000	\$ 748,000	\$ 692,177	\$ 55,823
Payroll Taxes	59,000	60,000	50,873	9,127
Retirement	158,500	158,500	141,376	17,124
Insurance - Employee Medical	286,000	286,000	198,925	87,075
Workmen's Compensation	41,000	41,500	19,305	22,195
Computers	10,000	15,000	14,768	232
Memberships	500	500	110	390
Utilities	149,000	156,000	148,831	7,169
Telephone	5,500	5,500	3,420	2,080
Insurance - General	8,000	8,000	8,000	-
Insurance - Property	14,000	14,000	14,000	-
Office Supplies	2,500	2,500	1,883	617
Building Maintenance	4,000	4,000	3,828	172
Canal and Drainage Maintenance	120,000	657,000	78,420	578,580
Travel, Conventions and Conferences	1,000	1,000	981	19
Radio Maintenance	2,000	2,000	-	2,000
Uniforms	6,000	6,000	5,968	32
Fuel, Oil and Lube	46,000	46,000	28,470	17,530
Vehicle and Equipment Insurance	12,500	12,500	10,000	2,500
Maintenance of Vehicles	17,000	17,000	15,723	1,277
Equipment Maintenance	32,000	32,000	32,070	(70)
Equipment Rental	1,000	1,000	505	495
Contract Labor	20,000	65,000	450	64,550
Supplies	23,000	29,000	21,896	7,104
Mosquito and Pest Control	1,000	1,000	-	1,000
Signs and Lights	11,000	21,000	11,949	9,051
Sand, Asphalt and Gravel	50,000	50,000	2,799	47,201
Prisoner Expense	117,000	117,000	95,444	21,556
Total Public Works	\$ 1,926,500	\$ 2,557,000	\$ 1,802,171	\$ 954,829
Capital Outlays				
General Government	\$ 401,000	\$ 2,853,500	\$ 337,309	\$ 2,516,191
Public Safety	161,000	509,000	297,055	211,945
Public Works	300,000	800,000	360,637	439,363
Total Capital Outlays	\$ 862,000	\$ 4,162,500	\$ 995,001	\$ 3,167,499

CITY OF MANDEVILLE, LOUISIANA
Budgetary Comparison Schedule
Sales Tax Fund
For the Year Ended August 31, 2009

Required Supplemental Information
Schedule 3

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Favorable/ (Unfavorable)
Revenues				
Taxes				
Sales and Use	\$ 13,500,000	\$ 12,900,000	\$ 12,956,980	\$ 56,980
Interest Income	8,000	8,000	8,837	837
Total Revenues	13,508,000	12,908,000	12,965,817	57,817
Expenditures				
General Government				
Collection Expense	155,500	148,500	149,114	(614)
Total Expenditures	155,500	148,500	149,114	(614)
Excess of Revenues Over Expenditures	13,352,500	12,759,500	12,816,703	57,203
Other Financing Uses				
Operating Transfers				
General Fund	(5,212,000)	(5,116,500)	(5,116,500)	-
Special Sales Tax	(5,324,500)	(5,087,500)	(5,044,943)	42,557
Capital Projects - Streets	(2,816,000)	(2,690,500)	(2,727,382)	(36,882)
Total Other Financing Uses	(13,352,500)	(12,894,500)	(12,888,825)	5,675
Net Change in Fund Balance	\$ -	\$ (135,000)	(72,122)	\$ 62,878
Fund Balance, Beginning of Year			285,462	
Fund Balance, End of Year			\$ 213,340	

CITY OF MANDEVILLE, LOUISIANA
Budgetary Comparison Schedule
Special Sales Tax Fund
For the Year Ended August 31, 2009

Required Supplemental Information
Schedule 4

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Favorable/ (Unfavorable)
Revenues				
Interest Income	\$ 60,000	\$ 110,000	\$ 98,037	\$ (11,963)
Total Revenues	<u>60,000</u>	<u>110,000</u>	<u>98,037</u>	<u>(11,963)</u>
Expenditures				
General Government				
Miscellaneous	1,000	1,000	725	275
Total Expenditures	<u>1,000</u>	<u>1,000</u>	<u>725</u>	<u>275</u>
Excess of Revenues Over Expenditures	<u>59,000</u>	<u>109,000</u>	<u>97,312</u>	<u>(11,688)</u>
Other Financing Sources (Uses)				
Operating Transfers				
Sales Tax	5,324,500	5,087,500	5,044,943	(42,557)
Reserve Account	20,000	31,000	30,842	(158)
Enterprise Fund	(2,910,000)	(4,910,000)	(2,410,000)	2,500,000
Bond Sinking Fund	(1,264,000)	(1,264,000)	(1,263,903)	97
Capital Projects - Streets	(1,000,000)	(1,000,000)	(1,000,000)	-
General Fund	(400,000)	(850,000)	(400,000)	450,000
Depreciation/Reserve	(1,200,000)	(1,500,000)	-	1,500,000
Total Other Financing Sources (Uses)	<u>(1,429,500)</u>	<u>(4,405,500)</u>	<u>1,882</u>	<u>4,407,382</u>
Net Change in Fund Balance	<u>\$ (1,370,500)</u>	<u>\$ (4,296,500)</u>	<u>99,194</u>	<u>\$ 4,395,694</u>
Fund Balance, Beginning of Year			<u>6,053,208</u>	
Fund Balance, End of Year			<u>\$ 6,152,402</u>	

CITY OF MANDEVILLE, LOUISIANA
Budgetary Comparison Schedule
Capital Projects - Street Construction Fund
For the Year Ended August 31, 2009

Required Supplemental Information
Schedule 5

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Favorable/ (Unfavorable)
Revenues				
Grants	\$ -	\$ 209,000	\$ -	\$ (209,000)
Interest	40,000	70,000	69,236	(764)
Total Revenues	<u>40,000</u>	<u>279,000</u>	<u>69,236</u>	<u>(209,764)</u>
Expenditures				
Construction Costs	3,457,000	9,731,500	1,786,404	7,945,096
Engineers Fees	384,000	939,000	27,771	911,229
Other Costs	15,000	15,000	7,723	7,277
Total Expenditures	<u>3,856,000</u>	<u>10,685,500</u>	<u>1,821,898</u>	<u>8,863,602</u>
Deficiency of Revenues Under Expenditures	<u>(3,816,000)</u>	<u>(10,406,500)</u>	<u>(1,752,662)</u>	<u>8,653,838</u>
Other Financing Sources				
Operating Transfers				
Sales Tax	2,816,000	2,690,500	2,727,382	36,882
Special Sales Tax	1,000,000	1,000,000	1,000,000	-
Total Other Financing Sources	<u>3,816,000</u>	<u>3,690,500</u>	<u>3,727,382</u>	<u>36,882</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (6,716,000)</u>	<u>1,974,720</u>	<u>\$ 8,690,720</u>
Fund Balance, Beginning of Year			<u>6,716,741</u>	
Fund Balance, End of Year			<u><u>\$ 8,691,461</u></u>	

OTHER SUPPLEMENTAL INFORMATION

CITY OF MANDEVILLE, LOUISIANA
Combining Balance Sheet
Non-Major Governmental Funds
August 31, 2009

Other Supplemental Information
Schedule 1

	<u>Debt Service Fund</u>		<u>Total Non-Major</u>
	<u>Bond Reserve</u>	<u>Bond Sinking</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>
Assets			
Cash	\$ 619	\$ 799,101	\$ 799,720
Investments	985,355	86,782	1,072,137
Total Assets	<u>\$ 985,974</u>	<u>\$ 885,883</u>	<u>\$ 1,871,857</u>
Fund Balance			
Reserved for Debt Service	\$ 985,974	\$ 885,883	\$ 1,871,857
Total Fund Balance	<u>\$ 985,974</u>	<u>\$ 885,883</u>	<u>\$ 1,871,857</u>

CITY OF MANDEVILLE, LOUISIANA
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended August 31, 2009

Other Supplemental Information
Schedule 2

	<u>Debt Service Fund</u>		<u>Total Non-Major Governmental Funds</u>
	<u>Bond Reserve Fund</u>	<u>Bond Sinking Fund</u>	
Revenues			
Interest Income	\$ 32,518	\$ 4,379	\$ 36,897
Total Revenues	<u>32,518</u>	<u>4,379</u>	<u>36,897</u>
Expenditures			
Debt Service	-	1,245,862	1,245,862
Total Expenditures	<u>-</u>	<u>1,245,862</u>	<u>1,245,862</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>32,518</u>	<u>(1,241,483)</u>	<u>(1,208,965)</u>
Other Financing Sources (Uses)			
Operating Transfers In (Out):			
Special Sales Tax	(30,842)	1,263,903	1,233,061
Total Other Financing Sources (Uses)	<u>(30,842)</u>	<u>1,263,903</u>	<u>1,233,061</u>
Net Change in Fund Balance	<u>1,676</u>	<u>22,420</u>	<u>24,096</u>
Fund Balance, Beginning of Year	<u>984,298</u>	<u>863,463</u>	<u>1,847,761</u>
Fund Balance, End of Year	<u>\$ 985,974</u>	<u>\$ 885,883</u>	<u>\$ 1,871,857</u>

CITY OF MANDEVILLE, LOUISIANA
Budgetary Comparison Schedule
Enterprise Fund
For the Year Ended August 31, 2009

Other Supplemental Information
Schedule 3

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Favorable/ (Unfavorable)
Operating Revenues				
Charges for Services				
Water Fees	\$ 1,000,000	\$ 1,000,000	\$ 1,085,851	\$ 85,851
Sewer Fees	1,470,000	1,470,000	1,644,716	174,716
Tapping Fees				
Water Department	25,000	15,000	11,850	(3,150)
Sewer Department	24,000	5,000	4,300	(700)
Service Charge	18,000	25,000	23,411	(1,589)
Delinquent Charges	70,000	70,000	72,180	2,180
Sewer Inspection Fees	1,500	1,500	350	(1,150)
Miscellaneous	5,000	5,000	1,308	(3,692)
DHH Fees	13,000	13,000	13,038	38
Sewer Impact Fees	75,000	230,000	228,950	(1,050)
Water Inspection Fees	1,500	1,500	1,455	(45)
Water Impact Fees	60,000	280,000	278,026	(1,974)
Total Operating Revenues	2,763,000	3,116,000	3,365,435	249,435
Operating Expenses				
Water Department Expenses	4,058,000	4,353,500	1,457,217	2,896,283
Sewer Department Expenses	2,327,500	9,960,000	2,356,640	7,603,360
Total Expenditures	6,385,500	14,313,500	3,813,857	10,499,643
Operating Loss	(3,622,500)	(11,197,500)	(448,422)	10,749,078
Non-Operating Revenues (Expenses)				
Grant Income	-	4,258,000	447,031	(3,810,969)
Disaster Income (Expense)	-	43,000	(28,164)	(71,164)
Interest Income	40,000	70,000	72,957	2,957
Loss on Disposal of Assets	-	-	(3,000)	(3,000)
Total Non-Operating Revenues	40,000	4,371,000	488,824	(3,882,176)
(Loss) Income Before Transfers	(3,582,500)	(6,826,500)	40,402	6,866,902
Operating Transfers - Special Sales Tax Fund	2,910,000	4,910,000	2,410,000	(2,500,000)
Total Operating Transfers	2,910,000	4,910,000	2,410,000	(2,500,000)
Change in Net Assets	\$ (672,500)	\$ (1,916,500)	2,450,402	\$ 4,366,902
Net Assets, Beginning of Year			33,336,233	
Net Assets, End of Year			\$ 35,786,635	

CITY OF MANDEVILLE, LOUISIANA
Budgetary Comparison Schedule
Enterprise Fund
For the Year Ended August 31, 2009

Other Supplemental Information
Schedule 4

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Favorable/ (Unfavorable)
Water Department Expenses				
Salaries, Overtime and Vacation	\$ 461,000	\$ 476,000	\$ 363,299	\$ 112,701
Payroll Taxes	35,000	36,000	26,841	9,159
Retirement	100,500	100,500	85,325	15,175
Employee Medical Insurance	182,000	182,000	126,802	55,198
Workmen's Compensation	21,500	22,000	11,353	10,647
Licenses and Permits	13,000	13,000	12,369	631
Engineers' Fees	20,000	35,000	22,733	12,267
Computer Programs and Supplies	18,000	18,000	17,553	447
Pumps Maintenance	15,000	15,000	12,248	2,752
Purification Chemicals	55,000	55,000	24,381	30,619
Bad Debt Expense	3,000	3,000	-	3,000
Membership, Dues and Subscriptions	1,500	1,500	1,497	3
Printing	3,000	3,000	2,699	301
Utilities	98,000	103,000	97,011	5,989
Telephone	8,000	8,000	6,116	1,884
Insurance - General	21,000	21,000	21,000	-
Insurance - Property	18,000	18,000	18,000	-
Office Supplies	2,500	2,500	1,863	637
Service Charges	500	500	-	500
Building Maintenance	3,000	30,000	10,125	19,875
Postage	9,000	10,000	9,544	456
Travel, Convention and Conferences	3,000	3,000	2,961	39
Civil Service	3,000	3,000	1,430	1,570
Radio Maintenance	1,500	1,500	-	1,500
Uniforms	4,000	4,000	3,322	678
Fuel, Oil and Lube	27,000	27,000	14,438	12,562
Insurance - Vehicle	5,000	5,000	5,000	-
Vehicle Repair and Maintenance	8,000	8,000	3,212	4,788
Equipment Maintenance	15,000	15,000	12,164	2,836
Equipment Rental	1,000	1,000	-	1,000
Contract Labor	108,000	108,000	66,837	41,163
Small Tools and Supplies	12,000	12,000	7,754	4,246
Depreciation	2,660,000	2,885,000	378,704	2,506,296
Water Connection Supplies	80,000	80,000	54,018	25,982
Testing	500	6,500	5,794	706
Water Plant Maintenance	35,000	35,000	27,425	7,575
Training	3,500	3,500	3,399	101
Emergency Repairs	3,000	3,000	-	3,000
Total Water Department Expenses	\$ 4,058,000	\$ 4,353,500	\$ 1,457,217	\$ 2,896,283

CITY OF MANDEVILLE, LOUISIANA
Budgetary Comparison Schedule
Enterprise Fund
For the Year Ended August 31, 2009

Other Supplemental Information
Schedule 5

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Favorable/ (Unfavorable)
Sewer Department Expenses				
Salaries, Overtime and Vacation	\$ 425,500	\$ 435,500	\$ 360,131	\$ 75,369
Payroll Taxes	32,500	33,000	26,603	6,397
Retirement	92,000	92,000	58,235	33,765
Employee Medical Insurance	238,000	238,000	155,531	82,469
Workmen's Compensation	21,000	21,500	9,856	11,644
Licenses and Permits	8,000	18,000	17,712	288
Engineers' Fees	20,000	174,500	119,417	55,083
Computer Programs and Supplies	18,000	18,000	17,737	263
Pumps Maintenance	60,000	60,000	46,010	13,990
Purification Chemical	18,000	58,000	50,576	7,424
Membership, Dues and Subscriptions	1,000	1,000	285	715
Printing	2,000	3,000	2,180	820
Utilities	385,000	385,000	359,639	25,361
Telephone	6,000	6,000	4,961	1,039
Insurance - General	10,000	10,000	10,000	-
Insurance - Building	16,000	16,000	16,000	-
Office Supplies	2,000	2,000	1,342	658
Building Maintenance	2,000	27,000	4,496	22,504
Postage	8,500	9,500	8,985	515
Travel, Conventions and Conferences	3,000	3,000	2,800	200
Civil Service	3,000	3,000	1,104	1,896
Radio Maintenance and Repair	1,500	1,500	-	1,500
Uniforms	4,500	4,500	3,761	739
Fuel, Oil and Lube	27,000	27,000	14,438	12,562
Insurance - Vehicle	8,500	8,500	8,500	-
Vehicle Repair and Maintenance	10,000	10,000	4,846	5,154
Equipment Maintenance	18,000	18,000	17,857	143
Equipment Rental	2,000	2,000	930	1,070
Contract Labor	150,000	150,000	89,720	60,280
Small Tools and Supplies	12,000	12,000	9,856	2,144
Sand, Asphalt and Gravel	5,000	5,000	2,215	2,785
Depreciation	416,000	7,600,000	617,901	6,982,099
Sewer Connection Supplies	7,000	13,000	8,485	4,515
Sewer Testing	138,000	138,000	122,019	15,981
Plant Maintenance and Repair	150,000	350,000	179,595	170,405
Training	3,500	3,500	2,917	583
Emergency Repairs	3,000	3,000	-	3,000
Total Sewer Department Expenses	\$ 2,327,500	\$ 9,960,000	\$ 2,356,640	\$ 7,603,360

OMB CIRCULAR A-133 SECTION

Federal Grantor/ Pass-Through Grantor/ Program Title	Number	Expenditures Recognized
<u>U.S. Department of Homeland Security</u>		
Passed through State Department of Military, Office of Emergency Preparedness		
Public Assistance Grant	97.036	\$ 334,717
<u>U.S. Department of Transportation</u>		
Passed through State Department of Transportation and Development		
Federal Transit Capital Investment Grants	20.500	85,875
Federal Transit Formula Grants	20.507	49,859
<u>Department of Agriculture Forest Service</u>		
Passed through State Department of Agriculture and Forestry		
Urban and Community Forestry Program	10.675	33,250
<u>National Endowment for the Arts</u>		
Promotion of the Arts - Grants to Organizations and Individuals	45.024	20,000
<u>U.S. Department of Justice</u>		
Bulletproof Vest Partnership Program	16.607	675
Total Expenditures of Federal Awards		<u>\$ 524,376</u>

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Mandeville, Louisiana and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Edward P. Lyons, Interim Mayor
and the Members of the City Council
City of Mandeville, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Mandeville, Louisiana, as of and for the year ended August 31, 2009, which collectively comprise the City of Mandeville, Louisiana's basic financial statements and have issued our report thereon dated February 1, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Mandeville, Louisiana's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Mandeville, Louisiana's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Mandeville, Louisiana's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Mandeville, Louisiana's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Mandeville, Louisiana's financial statements that is more than inconsequential will not be prevented or detected by the City of Mandeville, Louisiana's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Mandeville, Louisiana's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Mandeville, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management of the City of Mandeville, Louisiana, federal awarding agencies and the Legislative Auditor of the State of Louisiana and is not intended to be, and should not be, used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.


A Professional Accounting Corporation

February 1, 2010



**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Honorable Edward P. Lyons, Interim Mayor
and the Members of the City Council
City of Mandeville, Louisiana

Compliance

We have audited the compliance of the City of Mandeville, Louisiana with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2009. The City of Mandeville, Louisiana's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Mandeville, Louisiana's management. Our responsibility is to express an opinion on the City of Mandeville, Louisiana's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Mandeville, Louisiana's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Mandeville, Louisiana's compliance with those requirements.

In our opinion the City of Mandeville, Louisiana complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2009.

Internal Control Over Compliance

The management of the City of Mandeville, Louisiana is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Mandeville, Louisiana's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Mandeville, Louisiana's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of management, the Federal Emergency Management Agency, the Louisiana Legislative Auditor, and other federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



A Professional Accounting Corporation

February 1, 2010

CITY OF MANDEVILLE, LOUISIANA
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2009

A. Summary of Audit Results

Financial Statements

- | | |
|---|-------------|
| 1. Type of auditor's report | Unqualified |
| 2. Compliance and internal control over financial reporting | |
| a. Material weaknesses identified | None |
| b. Significant deficiencies identified not considered to be material weaknesses | None |
| c. Noncompliance material to the financial statements noted | No |

Federal Awards

- | | |
|--|-------------|
| 3. Internal control over major programs | |
| Material weaknesses identified | None |
| Significant deficiencies identified not considered to be material weaknesses | None |
| 4. Type of auditor's report issued on compliance for major program | Unqualified |
| 5. Audit findings disclosed that are required in accordance with OMB A-133, Section 510a | None |
| 6. Identification of major programs | |
| 97.036 - Public Assistance Grant | |
| 7. Dollar threshold used to distinguish between Type A and B programs | \$300,000 |
| 8. Auditee qualified as a low-risk auditee under OMB A-133 Section 530 | Yes |

B. Findings Related to the Financial Statements

None

C. Findings and Questioned Costs – Major Federal Award Programs

None

CITY OF MANDEVILLE, LOUISIANA
Summary Schedule of Prior Year Findings and Questioned Costs
For the Year Ended August 31, 2009

2008-1 Inadequate Collateralization of Bank Deposits

Finding and Recommendation:

At August 31, 2008, one of the City of Mandeville, Louisiana's banks failed to provide adequate collateralization for bank balances in excess of FDIC coverage. We recommend that the City closely monitor their bank balances and require their bank to pledge additional collateral as necessary.

Current Year Status:

We noted no exceptions with this requirement for the fiscal year ended August 31, 2009.

2008-2 Findings From Legislative Auditor

Findings and Recommendations:

On August 8, 2008, the Office of the Louisiana Legislative Auditor issued its report on compliance of the City of Mandeville (the "City"). Their audit covered selected transactions for the period of January 2002 through March 2008. A summary of the findings noted in the report follows:

Citizen's Service Fund

From January 2002 through December 2007, the City of Mandeville Police Department solicited and received donations for the Citizen's Service Fund. Although these funds were solicited, received, processed and expended by City employees on City time, the City council had not given the Mandeville Police Department authority to collect and expend these funds. As a result, these funds were not included in the City's budget or financial statements and thus were not subjected to public scrutiny or local and state laws. We recommend that the City request an opinion from the Louisiana Attorney General in order to obtain clarification as to whether the Citizen's Service Fund was separate from the City of Mandeville, or whether it should have been included in the City's budget and financial statements.

Credit Card Usage

The City issued credit cards to the Mayor, all department heads, and numerous other City employees. For the period of September 2003 through March 2008, the Legislative Auditor determined that the prior mayor incurred 65 charges totaling \$8,845 which appeared to be personal in nature; 356 charges totaling \$36,103 for meals which lacked proper documentation; and 15 charges totaling \$6,143 which pertained to employee functions. we recommend that the City strictly enforce its credit card policy, and require reimbursement for any charges that are not supported by appropriate documentation or do not identify the business purpose of the transaction.

CITY OF MANDEVILLE, LOUISIANA
Summary Schedule of Prior Year Findings and Questioned Costs
For the Year Ended August 31, 2009

Personal Use of City Vehicles

The City does not have a written policy on the use of City vehicles and fueling cards; City employees appear to use the vehicles and fueling cards for personal purposes; and the City does not include the value of the personal use of the vehicles as income to these employees.

Improper Gifts

Based on a review of the Mayor's e-mails, the Legislative Auditor noted several messages which indicated that people doing business with the City were providing things of value to the prior mayor, chief fiscal officer, and a councilperson.

Public Bid Law

Based on a review of purchases and supplies, as well as a number of public works projects performed for the City, (1) the City failed to publicly advertise one public works project in accordance with state bid law; (2) the City repeatedly purchased limestone and sand in violation of the state bid law; and (3) numerous public works projects were performed without written contracts and surety bonds and by contractors who were not licensed, as required by state law.

Campaign Golf Tournaments

The Legislative Auditor noted that several City employees, both classified and exempt, appear to have used City time and resources assisting the prior mayor with his annual campaign golf tournaments.

Weak Business Practices

The Legislative Auditor noted areas in which the City either did not comply with its own policies or did not have adequate written policies. In addition, the Legislative Auditor determined that the City has repeatedly used public funds to defray the costs of Christmas parties and other office celebrations in possible violation of the Louisiana Constitution. The City has also failed to maintain control over inventories, has not established a written travel policy for nonclassified employees, and has financially supported a nonprofit organization that has failed to comply with the state audit law.

Current Status:

Citizen's Service Fund

The operations of the Citizen's Service Fund were transferred to a not-for-profit organization.

Credit Card Usage

Since the issuance of the Legislative Auditor's report, the City has established and implemented a comprehensive credit card policy. The policy provides guidance as to the use of the cards as well as documentation that must be submitted in order to support the transaction. We noted no exceptions with this policy.

CITY OF MANDEVILLE, LOUISIANA
Summary Schedule of Prior Year Findings and Questioned Costs
For the Year Ended August 31, 2009

Personal Use of City Vehicles

Since the issuance of the Legislative Auditor's report, the City has established and implemented a motor vehicle and equipment usage policy. The policy covers, among other matters, the following:

- Review of motor vehicle record
- Unauthorized usage
- Criteria for Take-Home vehicles
- Compliance with Internal Revenue Code

In regards to compliance with the Internal Revenue Code, the City performed a calculation of the value of personal miles driven in City-owned vehicles. We noted that these values were included in the respective employee's W-2 forms for the calendar year ended December 31, 2008.

Improper Gifts

Based on our audit procedures, we noted no instances which may indicate that improper gifts were provided to any elected officials or employees of the City of Mandeville.

Public Bid Law

Based on our testing, we noted no exceptions with transactions subject to the State Public Bid Law.

Campaign Golf Tournaments

Per our inquiries with the CFO, the City has taken steps to ensure that classified employees will not participate in any political or fundraising activities that are prohibited under the City's Civil Service regulations.

Weak Business Practices

As noted previously, the City has established a credit card policy and motor vehicle and equipment usage policy. The City has also established a travel guide which covers methods of transportation, lodging and meals, parking, special meals, and international travel. We noted no exceptions with this guide. Also, the Mandeville Trailhead Foundation has been dissolved.